

# CHFA Adopts eNotes

## Colorado Housing and Finance Authority

### Management Innovation: Technology

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## **Summary**

In February 2021, Colorado Housing and Finance Authority (CHFA) became the first state HFA in the nation to electronically accept, purchase, and deliver an electronic mortgage note (eNote). CHFA began this initiative in 2020 to improve its mortgage process. As the pandemic began to set in, CHFA accelerated the project, anticipating an increased demand by customers to have the option to sign their mortgage note electronically. This project met that need while increasing efficiencies and providing faster funding of loans delivered by participating lenders.

## **Challenge and opportunity**

By piloting eNotes, CHFA seized the opportunity to align with the trajectory of the mortgage industry and become a more versatile partner to its participating lenders. In addition, CHFA ultimately aims to accept a fully e-closed loan, which has become more vital during the pandemic.

## **Innovation**

While eNote adoption is growing nationally, all participants in the mortgage ecosystem may not have fully established processes for HFAs with unique business models like down payment assistance second loans. Currently, CHFA's focus is a pilot program for eNotes with one lender for conventional, first-lien loans for delivery to Fannie Mae and Freddie Mac®. CHFA plans to expand offering the eNote option to other qualifying lenders, and for other loan types, including its down payment assistance second loans, later in 2021.

CHFA is proud to serve as a trailblazer in this realm and share knowledge gained with other HFAs around the country as they seek to implement eNotes for their lenders and customers.

“CHFA's early adoption of digital mortgage technology has led to their incredible milestone achievement for eNotes,” said Joe Tyrrell, President of ICE Mortgage Technology. “We welcome CHFA as the first HFA to purchase an eNote and thank them for their leadership in paving the way for other HFAs to enter this ecosystem.”

## **Replicability**

Participating in eNotes is an option for other HFAs to explore and achieve. CHFA formed a cross-functional team with subject matter experts from its Single Family, Secondary Marketing, Finance, Information Technology, and Legal and Risk Management departments. To manage tasks and communication among the team, CHFA used Microsoft Teams and Microsoft Planner. While working with a high-level timeline, the team met weekly during project development and took a phased approach, which kept tasks, objectives, and outcomes manageable.

CHFA worked with ICE Mortgage Technology to help implement eNotes, which owns and operates the MERS® eRegistry. By purchasing registered eNotes in the MERS eRegistry, time is reduced between closing and securitization of a loan, enabling the eNote to move instantly and result in faster funding.

### **Measurable improvements in operations**

While CHFA's eNotes function is still in a pilot phase and most measurable results will be realized over time, some immediate benefits were realized. It is a win-win-win for CHFA, the lender, and the investor. CHFA is now able to purchase a loan, sell it within 24 hours, and receive funding from the GSE within a shorter timeframe and without mail. It essentially saves seven to 10 days in time.

### **Benefits vs. costs and effective use of resources**

The benefits of eNote transactions to CHFA, its lenders, investors, and customers as described throughout this entry definitely outweigh the costs of achieving the end goal. Resources used were limited to staff time and the cost to purchase eVault technology. An eVault permanently binds electronic signatures to a document and creates a tamper-proof audit trail that demonstrates ownership and compliance. Ultimately, the time saved by the efficiency of eNotes may eventually lead to more loan volume for CHFA, further maximizing the benefits.

### **Strategic objectives achieved**

CHFA consistently strategizes on ways to improve its operations and be a stronger partner. The adoption of eNotes was a key strategy to do just that and happened to come at a time when electronic options became even more urgent for partners and customers. CHFA will be able to provide a more efficient experience for its participating lenders with faster repayment to their warehouse lines.

### **Visual aid**

Image of eVault:

The screenshot displays the Command Center software interface. At the top, a green header bar contains the text "Command Center" and "Logged In User: Kelly Rucker (Colorado Housing and Finance Authority)". Below the header, there are several search filters for transactions, including fields for From, To, Loan Origination ID, MIN, ID, Status, Transaction GUID, Controller, Transaction Type, Document Type, Location, Transfer Delegate, Vault Type, Vault ID, Master Servicer, and Subservicer. A "Search" button is located below these filters.

The main area shows "Transaction Search Results" with a table of results. The table has columns for MIN, Creation Date, Status, Vault ID, Transferred To, Transferred To Date, Transferred From, and MERS Subservicer. One result is highlighted in yellow:

MIN	Creation Date	Status	Vault ID	Transferred To	Transferred To Date	Transferred From	MERS Subservicer
1003241120717284	02/17/2021 10:02:58 PM MST	Transferred Out	34522322	CHFA (100607)	02/23/2021 10:55:55 AM MST	Farwest Independent Mortgage Corp. (10...	Farwest Independent Mortgage Corp. (10... T&R Colorado Housing and Finance Auth...

Below the table, there are sections for "Saved Searches" and "Work Queue". On the right side, there is a detailed view of the selected transaction, including "Properties" (Loan ID, Creation Date, Document ID, Status, Control, Control w/ Permissions, Transferred From, Transferred From Date, Transferred To, Transferred To Date) and "SMA/Doc Data" (MIN, Form Number, Mortgage Date, Address Line 1, City, County, State, Zip, Lender Name, Lender Loan Number, Form Payment Date, Loan Number, Original Loan Amount, Original Loan Rate, P&G Account). The "Owner Details" section shows "Farwest Independent Mortgage C..." as the owner.

<https://www.eoriginal.com/blog/electronic-vaulting-what-every-lender-and-finance-leader-needs-to-know/>