

**Public Hearing on
Senate Bill No. 595**

Senate State Government Committee

**October 24, 2017, at 10:00 a.m.
Hearing Room 1, North Office Bldg.
Harrisburg, PA**

**Testimony of Brian Hughes
COO
Title Source, Inc.
*A Sister Company of Quicken Loans***

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Good morning, Chair Folmer, Minority Chair Williams, and members of the Committee. My name is Brian Hughes, and I am the Chief Operating Officer of Title Source, Inc. a sister company to Quicken Loans. I was born and raised in Pennsylvania. The first 10 years of my nearly 30-year real estate career started in Pittsburgh, and, if all goes according to plan, my daughter will be attending Penn State in the Fall of 2018. I have deep roots in Pennsylvania, and I am honored and appreciate the chance to return to the great Commonwealth of Pennsylvania to discuss Senate Bill No. 595.

Quicken Loans, Title Source, and the Family of Companies. With more than 17,000 team members, Detroit-based Quicken Loans is the nation's second largest retail home mortgage lender. The company had nearly \$300 billion of mortgage volume across all 50 states between 2013 and the end of 2016. Quicken Loans ranked "Highest in Customer Satisfaction for Primary Mortgage Origination" in the United States by J.D. Power for the past seven consecutive years, 2010 – 2016, and "Highest in Customer Satisfaction in Mortgage Servicing" the past four years, 2014 – 2017. Quicken Loans is also the flagship business of the Family of Companies comprising nearly 100 affiliated businesses spanning multiple industries.

As a sister company of Quicken Loans, Title Source has grown to be one of the largest independent providers of title insurance, property valuations, and settlement services in the nation. In addition to supporting Quicken Loans, Title Source is a

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preferred provider to nine of the top 10 retail mortgage lenders and provides commercial title services to real estate professionals, corporations, and attorneys nationwide. While based in Detroit, Title Source has regional operating centers in Pennsylvania, employing over 170 team members, as well as California, Ohio, and Texas.

Digitizing the mortgage closing process. Paper transactions are becoming as obsolete as payphones and Blockbuster video stores. The Internet has simplified commerce, and electronic transactions are now commonplace. Consumers can already safely and securely use an array of online financial products and offerings, including online banking, bill payment, and credit monitoring. Our expertise is in revolutionizing the mortgage process from initial contact with a consumer through the closing. Quicken Loans, and many other lenders, give consumers unprecedented visibility and control over their mortgage process by providing online mortgage applications. Consumers can send and receive documentation and view the status of their loan application at their convenience.

Consumers enjoy these revolutionary technologies up to the point of the actual mortgage closing. To close their mortgage, consumers will have two options, both of which require the same time consuming and outdated practice. Option one requires a notary public to attend a closing at a mutually agreed public location, such as a title agent's office or bank. This option is a burden on the consumer due to the excessive time required while trying to balance work and personal obligations. Option two involves

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a notary public going to a consumer's home to execute the mortgage documents, a slightly better option but far from perfect. While the rest of the mortgage process has kept up with modern technologies, we believe closings still lag behind what consumers are expecting. It's time to modernize this process and provide consumers a choice to utilize newer and safer technologies to close their mortgages.

The mortgage industry is shifting from an in-person, paper-heavy process to a consumer-friendly, technology-based one. The next step in the digitization of the closing process is online notarization. Online notarization would allow the consumer and notary to be in different locations to securely sign documents electronically. An electronic closing using an online notarization will create convenience and better security for consumers, notaries, lenders, and partners.

Key principles for online notarization. Online notarization should include key features to make it work best for all involved.

- **First and foremost**, providing the best customer service while allowing flexibility for the consumer is central to online notarization; therefore, the consumer should have a choice on how their documents are notarized – whether in-person, through electronic notarization, or with online notarization. Consumers have been asking for this technology, and it's time to provide them with what they requested. Online notarization doesn't change anything for notaries or consumers that want

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to use the process they're most familiar with. But online notarization provides the option for those who want to make the mortgage process, from origination to close, a fully digital experience.

- **Second**, online notarization's value is greatest when the consumer, property, and notary public can be located anywhere. But at a minimum, the consumer must not be constrained by geographical boundaries or the entire purpose is defeated. We envision a world where a consumer moving to Pennsylvania from a neighboring state or even across the country will be able to have closing documents notarized without making additional trips. This advancement will also benefit our men and women in uniform. For example, a servicemember will be able to refinance a home in Pennsylvania from whatever U.S. military base they're stationed in the world.

- **Third**, to allow for flexibility in technological advancements, online notarization legislation and regulation should be technology agnostic. It should include two-way audio-visual requirements but avoid overly prescriptive standards to embrace emerging technologies. Online notarization is still in its early stages of growth. With developments in two-way audio-visual connections, we know technological advancements in months and years to come will make the process even easier. Requiring a recording is a useful step but getting into specific details

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may hamper efforts of evolving technologies, which will only make the process safer, more secure, and easier for consumers and businesses.

- **Fourth**, to aid with identifying how a document was notarized, the notary seal should indicate if the act was completed in-person or via online notarization to signify the state's notary law and where commissioned. We believe this seal will provide an additional level of confidence with all partners throughout the mortgage closing process. Alignment on online notarization designation gives lenders, title insurers, title underwriters, and investors complete transparency into how the notarial act was executed. Instead of burying it in the certification, online notarization designation on the seal provides a convenience for the notary and a clear label for the consumer and lender.

- **Fifth**, technological advancements in credential analysis and identity proofing make online notarization secure. For example, a multi-pronged approach to identity verification requires a consumer to present a government ID with photo to be verified through a third-party credential analysis. Then the consumer must go through identity proofing using knowledge-based authentication questions, or some other approved method.

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Online notarization for consumers. Most current electronic notarizations only replace ink with pixels but subject consumers to physical presence requirements. Online notarization closings simplify the process and puts more power in the hands of the consumer to review documents through better tools, at a more convenient time and in a more comfortable setting. Also, the anchor of the online notarization is a more secure method of signing due to visual and audio recording and multi-factor identity verification, and documents will be executed accurately without exception instantly through the platform.

Conclusion. I appreciate the Committee's leadership on this topic. By embracing online notarization and technology, we will be able to streamline and enhance the convenience and security of the mortgage closing process in a world where people are constantly on the move. Thank you for the opportunity to testify today. If I can provide any additional information you would find helpful, please let me know.