

CASE STUDY

How a century-old bank is reinventing itself for the digital age

**INDUSTRY**

Mortgage Lender

HEADQUARTERS

Union Grove, WI

FOUNDED

1898

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Introduction

Electronic closings had been on Community State Bank's radar before the pandemic, but they hadn't gained much traction. The concern was that digital closings, while high-tech and efficient, were simply too impersonal for a 123-year-old bank known for exceptional customer service. Like many community banks, this Wisconsin-based institution prides itself on truly serving and knowing the needs of its local community.

However, when the pandemic hit and all of the bank's branches were forced to close their lobbies, it realized that the time was ripe for change. To truly serve its customers — and more importantly, to keep them safe — Community State Bank needed to find a way to offer the same excellent service remotely. The bank that prided itself on its personal touch would soon go digital, and it would learn in the process that digitization didn't mean worse service. In fact, it meant quite the opposite.

"During these times of uncertainty, it is extremely important that our team be able to adjust quickly in order to continue serving our customers safely," said Community State Bank President and CEO Scott Huedepohl. "We're very honored to be able to provide both a high-tech experience, while still offering personalized service to guide our customers along the way."

The pandemic may have been the catalyst for the bank to make the leap to digital, but even after it ends, Community State Bank — and the entire mortgage industry — realizes that there's no turning back. Digital closings are here to stay, and both Community State Bank and its borrowers are reaping the benefits.

A storied history of **personalized** service

Community State Bank was established in 1898, when a grain mill operator organized a group of local investors to form the Bank of Union Grove. It operated out of a small one-room brick building in Union Grove, WI, and its headquarters are still located in the same city today.

Now, Community State Bank has seven branches across three counties in Southeast Wisconsin. Locally owned and operated since its inception, the bank has always placed an emphasis on personal relationships with the community. It's the kind of place where business was done with a handshake.

Shakil Haider, the Vice President of Mortgage Operations, said Community State Bank is able to have a deeper relationship with its borrowers than larger banks. For example, it can offer customers flexibility when it comes to credit and underwriting on portfolio loans. Many of its clients are from both the commercial and



agricultural sectors; it's common to get both farmers and small business owners coming into the bank.

"They're more comfortable talking to us and having us explain the regulations and requirements. It's better than dealing with the big banks," Haider said.

The dream of **digital**

When Haider came to Community State Bank in 2014, he had the goal of one day offering digital mortgages. At the time, the bank was using MortgageBot's loan origination service (LOS), "but we weren't using it fully," Haider recalled. "We weren't that technologically advanced, but that was part of the allure for me to get hired and hopefully get us a little more advanced."

But due to the concern that shifting to electronic lending would alter the bank's special relationship with its borrowers, Haider started with smaller digital milestones: first online mortgage applications, then online disclosures.

The bank was using DocMagic's document generation solution at the time, so Haider regularly spoke with DocMagic representatives about ways to expand the bank's electronic options. Still, he was wary of moving too quickly on eClosings and his digital plans remained long-term plans.

Then the pandemic hit. A few weeks after Community State Bank was forced to close its lobbies, Haider's boss asked him: What's that digital closing initiative you're always talking about?

The **pandemic** arrives

Amid the COVID-19 pandemic, Wisconsin joined 42 other states in issuing a stay-at-home order and Community State Bank closed its lobbies to protect its customers and employees.

Nonetheless, the bank still found inventive ways to serve its neighbors. Amid a nationwide coin shortage that affected small businesses' ability to operate, Community State Bank gained national press coverage for its innovative Coin Buy Back Program, which offered a cash bonus for \$100 of coins. The bank ended the program after just one week — because it met its goal.

"We knew we needed to figure something out. We hate the idea of telling our customers, 'No, we can't give you one of the services we're proud to provide,' so we came up with a creative way to get things done," Community State Bank Vice President Neil Buchanan told CNN.

The bank's mortgage division similarly needed to adapt to the new environment. When the pandemic hit, borrowers started asking, "Do I have to come in to sign for my mortgage?"

"Can't I sign online?" It was obvious they needed a no-touch, socially distanced way to close mortgages. With everyone now on board, Haider was eager to begin offering eClosings. "I wanted to jump in and close the first one the next day," he said.

"Unfortunately, it took a pandemic and closing our lobbies to gain momentum to implement a safer way to provide closing services," Haider added. "But with some advance knowledge of how the electronic process works with our LOS and with DocMagic's help, it was the perfect time to move forward."

The pandemic hit in March 2020. By May, Community State Bank —

which had already been leveraging DocMagic's document generation solution — expanded its digital lending initiative to include DocMagic's Total eClose platform, which facilitates multiple versions of hybrid closings as well as a 100% paperless and virtual eClosing.

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Onboarding with DocMagic

Subsequently, Haider updated Community State Bank's lending strategy and developed a project plan to support its eClosing rollout.

With guidance from DocMagic's eClosing Team, he helped Community State Bank become a member of the MERS eRegistry, the system of record for eNotes (electronic promissory notes). Additionally, the bank's account was set up to auto-register eNotes with MERS upon the completion of each eClosing, eliminating a potentially manual post-closing step. Haider also ensured that sufficient education was provided to all stakeholders — such as the bank's loan officers, processors and servicers — regarding the new digital closing workflow and instantaneous, post-closing eDelivery process.

DocMagic was instrumental to the eClose implementation. Their guidance included introducing Community State Bank to MERS and assisting with its new MERS eRegistry addendum; completing all eVault testing with secondary market partners such as Fannie Mae and MERS; and providing expertise on rollout best practices to maximize adoption.

During the eClosing process, there were several instances when questions would arise. A co-worker would inevitably say, "Is this something DocMagic can help with?"

"A lot of this was accomplished with DocMagic's help and patience," Haider said.

"We didn't know how to do everything, and it was easier to work with DocMagic and contract that out. Everything that was promised was delivered."

After completing eClose onboarding, Community State Bank immediately began offering hybrid eClosings, starting with refinance transactions.

Just two months later, the bank completed its first completely paperless eClosing, which included an eNote and remote online notarization (RON). After that, Community State Bank moved onto hybrid eClosing for purchase transactions. Now the bank is proud to offer 100% paperless and hybrid eClosings for both refinances and purchases.

Haider worried that borrowers wouldn't be ready for digital mortgages. He expected that customers might refuse to eSign mortgage documents. Instead, he was delighted to learn that most borrowers prefer the digital closing process.

An essential factor to Community State Bank's eClosing success was communicating to its borrowers the opportunity to preview closing documents in advance, and subsequently eSign them. "We know our customers and what they want, so one thing that was important was walking them through it and explaining what it takes to do an electronic closing," Haider said. "We got their buy-in."

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Results that speak for themselves

For Community State Bank, the decision to offer eClosings was a fortuitous one.

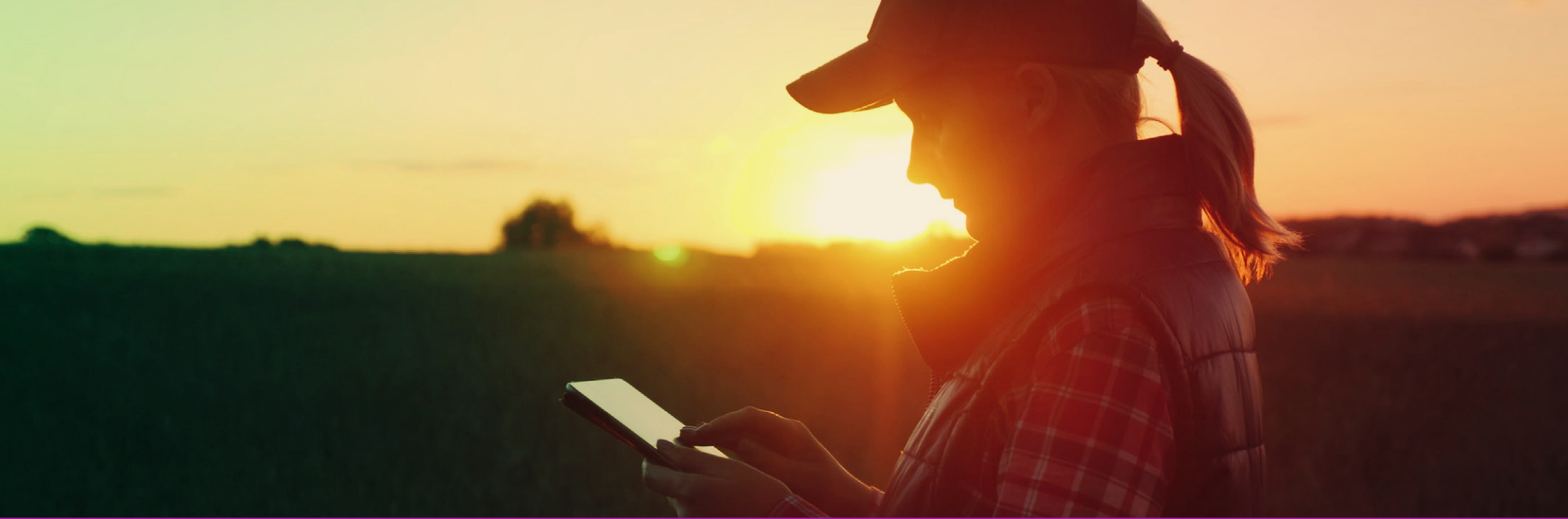
Customers reaped the benefits of eClosing almost immediately. Borrowers who opted for hybrid eClosings were able to electronically sign most standard closing documents at home and then only had to sign a few notarial documents, and occasionally a paper promissory note, at the closing. The ceremonies themselves, primarily conducted at one of the bank's lobbies or drive-thrus during the pandemic, were reduced to less than 15 minutes.

The response from borrowers has been overwhelmingly positive. "People love it, and the customer service hasn't been impersonal at all," Haider said.

Gary Strange, a customer, said of the new eClosing platform, "Our experience was very simple from start to finish. Having the option to close our loan online shows they are willing to accommodate their customers' needs and busy schedules while also keeping safety in mind during the pandemic."

While Community State Bank was primarily spurred to implement eClosings due to the pandemic, this decision continues to provide value. Borrowers appreciate the faster and more efficient process, which allows them to be involved earlier in the closing compared to a traditional paper closing, without ever having to step foot in the bank. Additionally, Community State Bank is putting itself in position to serve a new generation of younger borrowers who expect a digital experience. ▶





The bank's stakeholders are also happy. Haider said most of the loan officers are thrilled with how quickly they can close mortgages and move onto the next loan. Waiting for completed closing documents to be returned via the U.S. Postal Service — and hoping there aren't any missing documents or signatures — are concerns of the past.

One loan officer who prides herself on her personal touch initially took some convincing, but then she also began receiving positive feedback and realized that remote closings didn't mean

impersonal service; she still sends borrowers the gift baskets she's always sent, only now they go to people who've done an eClosing instead of a traditional closing.

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The key benefit can be seen in the numbers themselves.

For the first half of 2020, 63% of all of Community State Bank's mortgages closed from March to May — a time when its lobbies were shut down. Additionally, 35% of its closings during that period were hybrids, an impressive

figure given that the bank didn't even start its digital initiative until a few months after the

pandemic hit. “It was crazy that we could do that many,” Haider said.

The bank re-opened its lobbies in the summer of 2020 and kept up its streak. In October, out of 30 total closings, almost three-quarters of them were electronic, with 18 hybrids and four fully paperless RON closings.

In the fall Community State Bank was forced to close its lobbies again amid rising COVID case numbers, but by then its eClosing workflow was firmly in place — and mortgages continued without any disruption.

Conclusion

A bank that's been operating since the 19th century may not be the obvious choice to be an early adopter of the latest mortgage technology, but Community State Bank is unique.

When the pandemic hit, it immediately did what it could to help its neighbors, whether it was setting up a first-of-its-kind Coin Buy Back Program or conducting eClosings for the first time.

Despite initial hesitation to implement eClosing, when the progression to a digital process meant providing a safer experience for borrowers, Community State Bank didn't waver. And it learned in the process that offering eClosings shouldn't mean losing its personal touch.

Moving forward, Community State Bank is proudly embracing its new, dual roles. It remains a pillar of the community, a bank with a storied 123-year history, which once did business with a handshake. But Community State Bank is also leading the digital charge, offering a completely modern mortgage to anyone who's ready for it — and ensuring it's ready for a high-tech future.

ABOUT COMMUNITY STATE BANK:

Community State Bank, a \$500 million locally owned and operated community bank, is headquartered in Union Grove, WI, and has proudly served the communities of Southeastern Wisconsin since 1898. For more information please visit CSB online at CSB.bank.

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ABOUT DOCMAGIC:

DocMagic is the leading provider of fully compliant document generation, automated compliance, eSignature and comprehensive eMortgage solutions for the mortgage industry. Founded in 1987 and headquartered in Torrance, Calif., DocMagic develops award-winning software, mobile apps, processes and web-based systems for the production and delivery of compliant loan document packages. The company's solutions connect industry participants, promote collaboration and ensure data integrity to execute precision-based digital lending transactions. DocMagic's compliance experts and in-house legal staff consistently monitor legal and regulatory changes at both the federal and state levels to ensure accuracy.

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