

# How will the credit union industry evolve to manage digital assets?



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digital asset management for your mobile enterprise



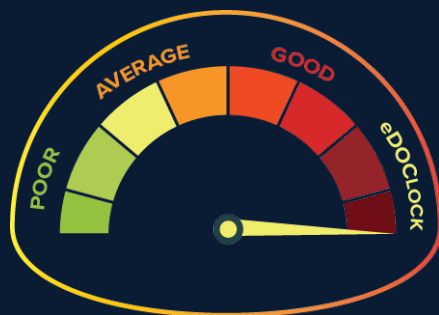
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## Background for eDOC's Network Focus Group

On June 30, 2000, Congress enacted the **Electronic Signatures in Global and National Commerce Act (ESIGN)** to facilitate the use of electronic records and signatures in interstate and foreign commerce by ensuring the validity and legal effect of electronic contracts.

Mortgage and consumer lenders began a move towards an electronic lending process, known today as eClosings (the act of closing a mortgage or consumer loan guarantee electronically), and the creation of a new class of assets known today as “eNotes”.

### Business impacts of the law:

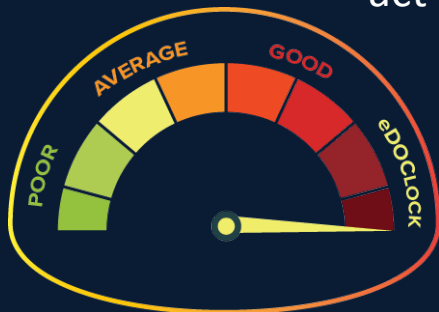


- Technology providers rushed to create new solutions to automate electronic contracting.
- Financial institutions recognized the operational value of electronic processing and began to adopt new technologies.

# Business Implications

The accelerating pace of eClosings, and the creation of digital assets, pose multiple considerations:

1. **Digital asset authenticity**  
the ability to warrant that a digital asset is “Authentic” and “The Original.”
2. **Digital asset security**  
the storage, management and protection of the digital asset in a qualified eVault.
3. **Digital asset collateralization**  
the act of offering digital assets as loan security, pledging or grouping of loans, as security for a line of credit,
4. **Digital asset Transferability**  
act of transferring ownership of, and/or custodial possession for, the digital asset





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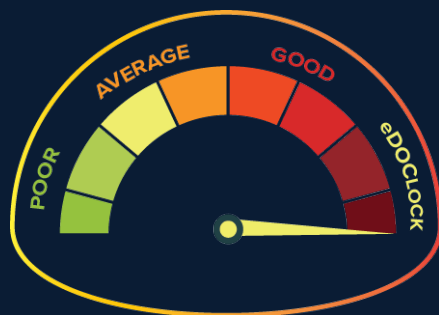
## Present Day Outlook

For credit unions, the topic of digital assets has moved closer to home. Although many credit unions have been removed from the requirements of digital assets in mortgage lending, the issue has emerged now in consumer lending.

In April of 2014, our first awareness of the issue was faced by a credit union who utilized FHLB for its liquidity credit line. FHLB issued an inquiry for digital asset security, and responded to that request by reducing credit limit against the credit union's then digital loan portfolio of \$15M.

### Here's what the FHLB said:

“In order for the FHLB to continue to accept e-notes as eligible collateral for borrowings [we must have] assurance of their marketability [and accessibility] should we have to take possession of the notes and sell them to satisfy outstanding advances.”





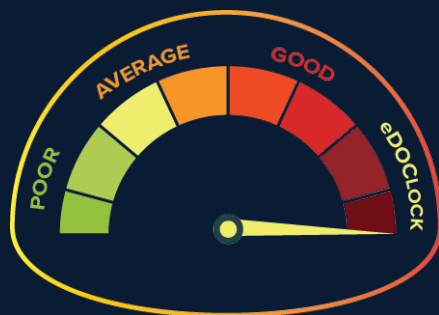
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## Purpose of eDOC's Focus Group

Today the production of digital assets, and the associated business considerations for how they impact a credit union business, has reached a threshold warranting this focus group's time.

### Questions to consider:

1. Research suggests the volume of eClosings has reached a point of inflection for the credit union industry. The industry has crested the early adopter stage and is well into early majority stage for the acceptance of eClosings innovation. Does this focus group believe the topic of digital assets warrant a passive or active approach in our networks?
2. FHLB has started a chain reaction for credit union consumer lending practices. How long will it be before the corporate network is required to have the same assurances and warranties?
3. I believe this group of participants possess the thought leadership, market share and capital to collaboratively author a disruptive innovation that will be critical for future sustainability, do you?



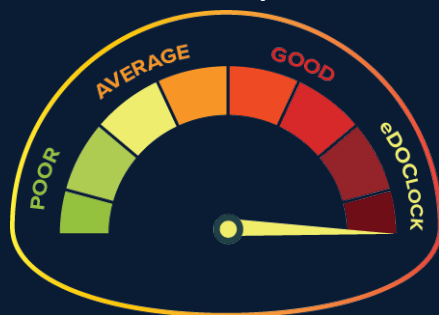


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## Purpose of eDOC's Focus Group

What do you think:

1. Our research on consumer behavior supports the conclusion that eClosings will continue to increase in volume and frequency. The appetite for remote eSignature convenience will not retreat; consumer and business economics will only increase utilization of eClosings. What do you think?
2. There is nothing in the foreseeable future that suggests legal, regulatory or business requirements for parties entering into guarantees will have a material change; the requirement for eNotes will continue and grow in both utilization and standards enforcement. What do you know that we don't?
3. eDOC has developed a conceptual design for an industry registry that rides on industry owned rails of technology; a permission based, distributed registry ledger for digital assets. Advancements in technology in recent years now make possible, what was once thought extremely difficult, or even impossible. Are you ready to be an active participant?
4. Sustainability is most likely achieved as the author and disruptor of innovation. Those who choose to wait are most likely those that are disrupted.



Tell us Why We are Wrong...