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Startup offers online real estate closings

Washington Business Journal - by Sarah Anderson Staff Reporter

A pair of real estate lawyers are taking the paper out of the process of buying a house.

Rockville-based eSettlement Solutions LLC replaces the traditional method of closing, which can involve hundreds of sheets of paper, with online forms and electronic signatures.

The company, founded by Joel Steinberg and Larry Arch, is offering free services in order to entice customers.

ESettlement plans to offer free electronic settlements through the end of November. That translates into about \$600 to \$700 for a typical closing.

"The world of paper is being replaced by electronic processes as we speak," said Steinberg. "We have been in the industry for a long time and we were burning out on the old way of doing things. Larry Arch was my law partner in the early '90s so we have known each other for a long time and way back then, when we started doing real estate closings they were on typewriters. There was no computers, everything was on paper and what we are doing today was something from Star Trek."

In 2000 a federal law was passed making electronic signatures legally valid in all 50 states. However, in many states, including Maryland and Virginia, clerks still require paper copies of mortgages or deeds of trust.

"The only thing holding it up from being 100 percent paperless are the clerk's offices themselves," said Steinberg. D.C. accepts electronic copies, and Maryland and Virginia may accept electronic filings in as soon as one year.

Steinberg said that because of the housing market boon earlier in the decade, there was little time or incentive for title and escrow companies to invest in the software and equipment to handle closings electronically. However, the current real estate slump has companies cutting costs, and many are also interested in pursuing paperless processes as a "green" practice.

"We didn't want to be reactive; we wanted to be proactive," said Steinberg.

Arch "was always very interested in computers and the electronic processes and the idea of going green is what appealed to me, so that's how we got together to do this," he added.

Steinberg also said that the company may extend the offer until the end of the year.

Many local loan companies and real estate brokers have been pushing for paperless transactions, and so far Steinberg has seen mostly positive reactions to the idea among buyers. "Universally, people in their 20s say 'no problem.' They are as comfortable with a mouse as a pen, if not more so," he said. "The other end of the spectrum is, younger seniors are comfortable. Apparently they are spending their 60s on the Internet. It's your youngest baby boomers that are most comfortable with old-fashioned paper."

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THE EVOLUTION OF REAL ESTATE SETTLEMENTS