



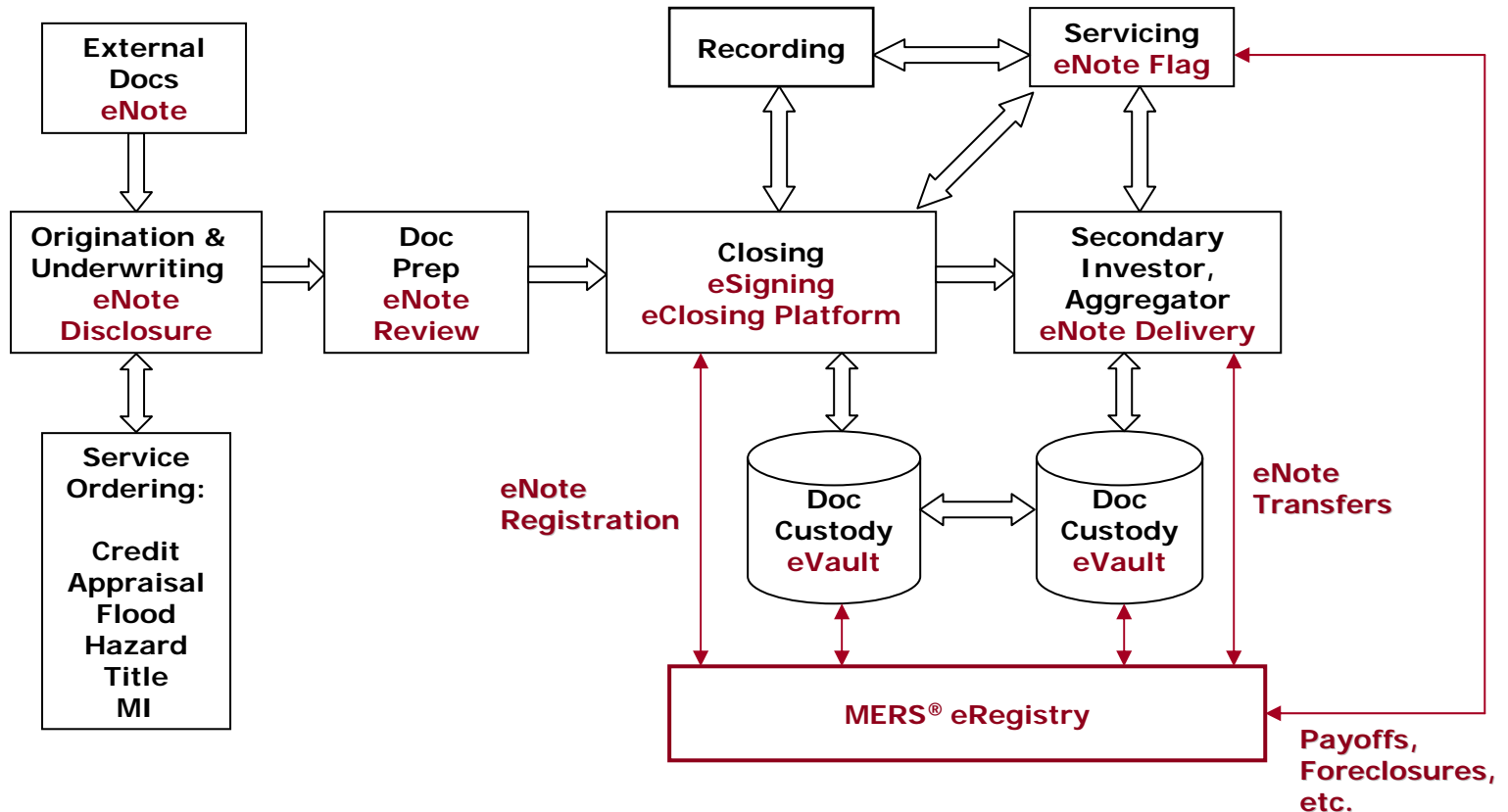
*Process loans, not paperwork*



*MERS<sup>®</sup> eRegistry Overview*

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# eNotes in the Mortgage Process **MERS**

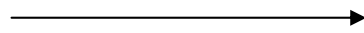


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# *Definitions*



*Paper World*



*Electronic World*

Negotiable Instrument

Transferable Record (“eNote”)

Possession

Control

Original Note (wet signature)

Authoritative Copy of eNote

Investor/Holder

Controller

Custodian

Location (“eVault”)

Endorsement and Delivery

Transfer of Control

Holder in due course

Transferable Record Audit trail

Servicer/Warehouse lender

Controller’s Delegatee



## *Why eNotes?*

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**MERS**<sup>®</sup>

- More efficient secondary market execution
- Enhanced data integrity
- Necessary step towards a complete eMortgage solution

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*Process loans, not paperwork*

# *What's Different?*



- Create an eNote in SMART Doc or PDF format
- Execute eNote with digital signatures
- Store eNote in compliant eVault
- Deliver eNote to investor
- Transfer eNote from one eVault to another
- Service eNote
- Interface with MERS® eRegistry to record these steps



# ***What is the MERS<sup>®</sup> eRegistry?*** **MERS<sup>®</sup>**

- The industry's response to the safe harbor requirements provided by UETA and E-SIGN
- The central location to identify the current Controller (holder) and Location (custodian) of the Authoritative Copy of an eNote
- Logical extension of the MERS mission and expertise and an evolution of the MERS<sup>®</sup> System
- Supported by Covington & Burling legal opinion

## *Key Points*



- Industry investors will require eNote registration as part of their delivery instructions
- eNote language refers specifically to the MERS® eRegistry
- Participants must be members of MERS
- MERS® eRegistry does not store eNotes
- Multiple eVaults will be created to store eNotes
- Funding of loans occurs outside the Registry
- All transactions will be system-to-system using MISMO XML
- All inquiry functions will be browser-based

## *Why MERS?*



- MERS is an industry utility owned by 26 participants in the real estate finance industry
- Experience in operating mortgage industry registries
- Over 45 million loans registered on the MERS<sup>®</sup> System (60%+ market share in new loan originations and 30%+ share of outstanding mortgage debt)
- Over \$60 billion in commercial mortgages registered on the MERS<sup>®</sup> Commercial System

# Who Owns MERS?



- Fannie Mae
- Freddie Mac
- WMC
- ABN AMRO
- EverHome
- CCO Mortgage
- Chase
- CitiMortgage
- Corinthian
- Countrywide
- Guaranty Bank
- First American
- Merrill Lynch
- Nationwide Home
- GMAC/RFC
- PMI
- SunTrust
- WaMu
- MBA
- Wells Fargo
- ALTA
- AIG UGI
- CMSA
- HSBC
- MGIC
- Stewart Title

- Live on MERS<sup>®</sup> eRegistry:
  - Freddie Mac
  - Ohio Savings Bank
  - Wells Fargo (as servicer)
  - Fannie Mae
  - GMAC (as servicer)
  - 1<sup>st</sup> Advantage Mortgage
- In integration:
  - Freddie Mac
  - GMAC (as lender)
  - Navy Fed. Credit Union
  - Fremont Sav'gs & Loan
  - Stewart Title
  - Countrywide
  - Wells Fargo (as lender)
  - Greenlight Mortgage
  - First American Title
  - First Magnus
- 1000+ eNotes registered since inception

# ***Primary Requirements***



## Member Profile

MERS Organizational ID Number is unique entity identifier

Member functionality tailored to role on Registry

Authentication and security routines

## eNote Registration

MERS Mortgage Identification Number (MIN) is unique loan identifier

eNote hash value enhances integrity

Cross referencing information (Borrower Name, SSN, Property Address)

Reversal transaction to correct invalid registrations

Location and Controller Fields are required

# ***Additional Requirements***



- Ability of Controller to delegate responsibility for certain transactions (payoffs, foreclosures, etc.)
- Ability to change certain data elements of the registration record
- Modification Flag and MIN and Hash value cross reference for CEMAs and Modification agreements with borrower
- Online audit trail for all transactions
- OnLine inquiry capability for Members with access rights to a loan

# *Infrastructure*



- Online inquiry available 7X24 (except for scheduled maintenance)
- System-to-system processing available Monday through Saturday, 8:00 am to 4:00 am EST
- Frame Relay and VPN tunnels for interfaced third party systems
- Help Desk available Monday through Friday, 8:00 am to 10:00 pm EST
- High availability processing environment with 24 hr disaster recovery
- System integration support
- Will satisfy Interagency Guidelines Establishing Standards for Safeguarding Customer Information (Privacy laws) – SAS 70 report available
- Will maintain ISO 9000 compliance for midrange computing and web hosting

## **Description**

Provides a standard and secure method for transporting electronic documents from one company to another using MISMO standards and the MERS<sup>®</sup> eRegistry infrastructure

## **Progress**

Version 1 implemented in March 2006

Required by Fannie Mae for automated eNote delivery

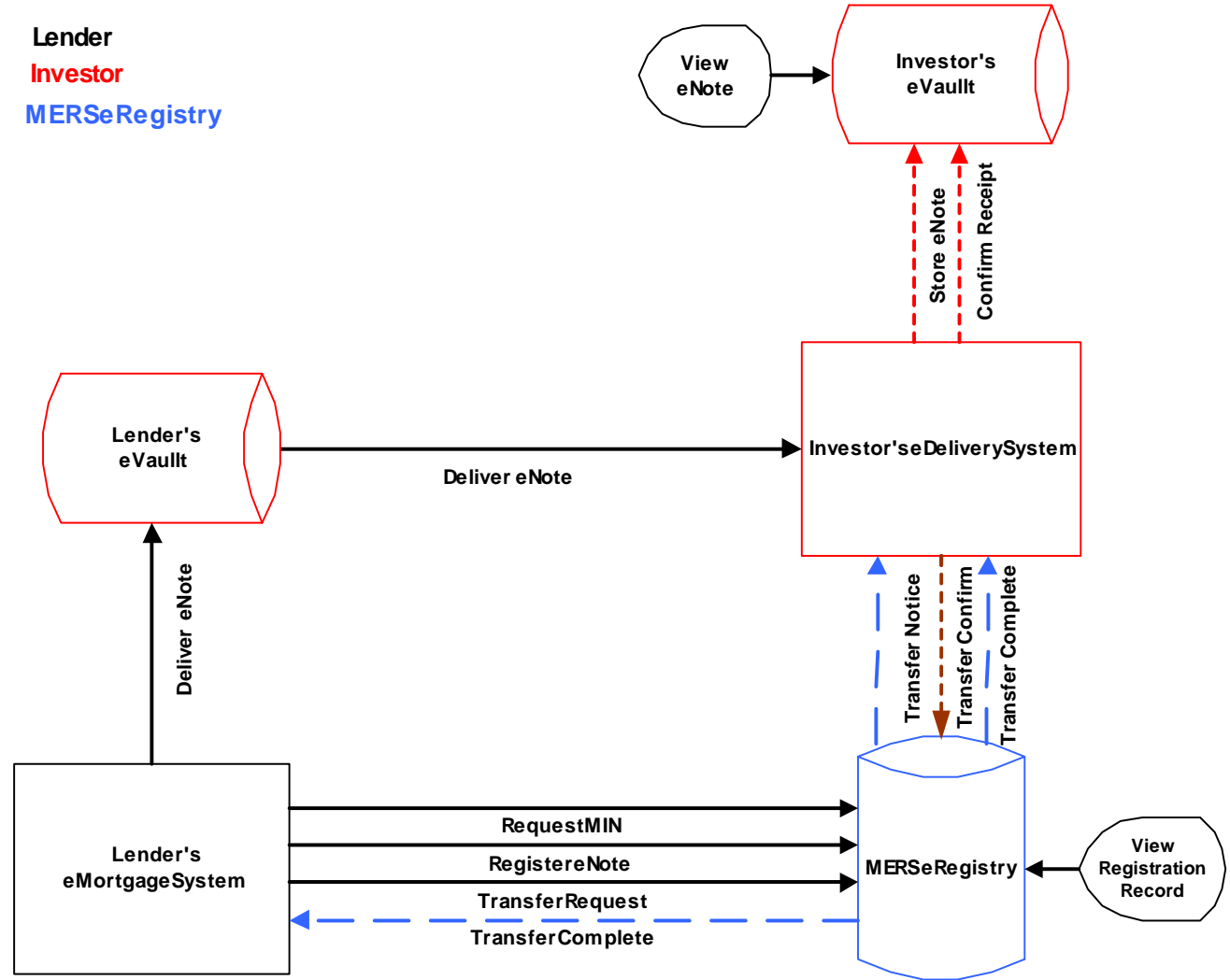
Being implemented by eMortgage vendors

# eRegistry Process Flow



Legend:

- Lender
- - - Investor
- - - MERSeRegistry



**Process loans, not paperwork**

# *Rating Agencies*



- Three major rating agencies consulted: Standard & Poor's, Moody's and Fitch
- All three agencies have reviewed materials on eNotes and the eRegistry from both a credit and legal perspective and none has raised any objections
- An open question is the length of time to complete a foreclosure
- MERS representatives recently met in person initially with all three agencies, but the next step is to bring the major securitization conduits into the process

## ***eNote Warehouse Lending***



- Warehouse lenders must be members of MERS and be connected to the MERS® eRegistry
- Warehouse lenders have a specific designation on the MERS® eRegistry referencing their line of business
- Warehouse lenders need to be shown in the Investor field to perfect their security interest in an eNote
- A form of agreement among the lender, MERS and the warehouse lender has been created, similar to the Electronic Tracking Agreement used with the regular MERS® System



**Thank you**

Further information about eNotes and the eNote Registry at [www.mersinc.org](http://www.mersinc.org). Click on the MERS<sup>®</sup> eRegistry tab.