



Residential Technology Update – eMortgage Adoption Moving Ahead



Harry Gardner

Acting VP, Industry Technology, MBA

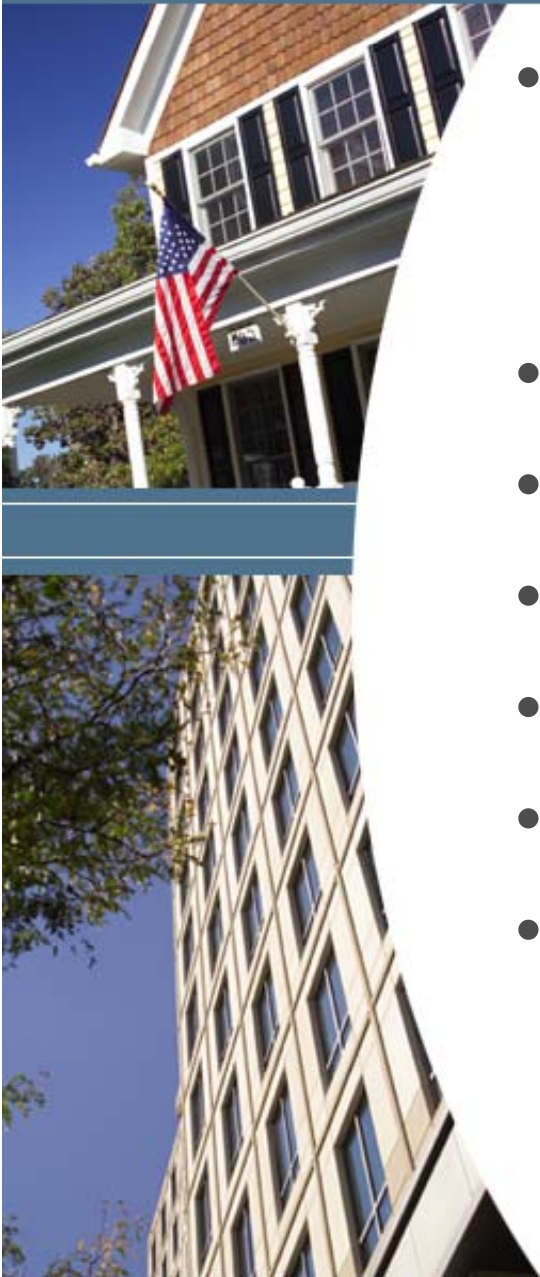
Katie Paolangeli

Business Integration Director, MERS

MBA Technology Focus



- Technology Committees
 - » BoDTech
 - » ResTech / CommTech
- Residential Technology Providers Forum
- MISMO
- Information Security
- eMortgage
- Technology Conferences
- Technology Education / Certification

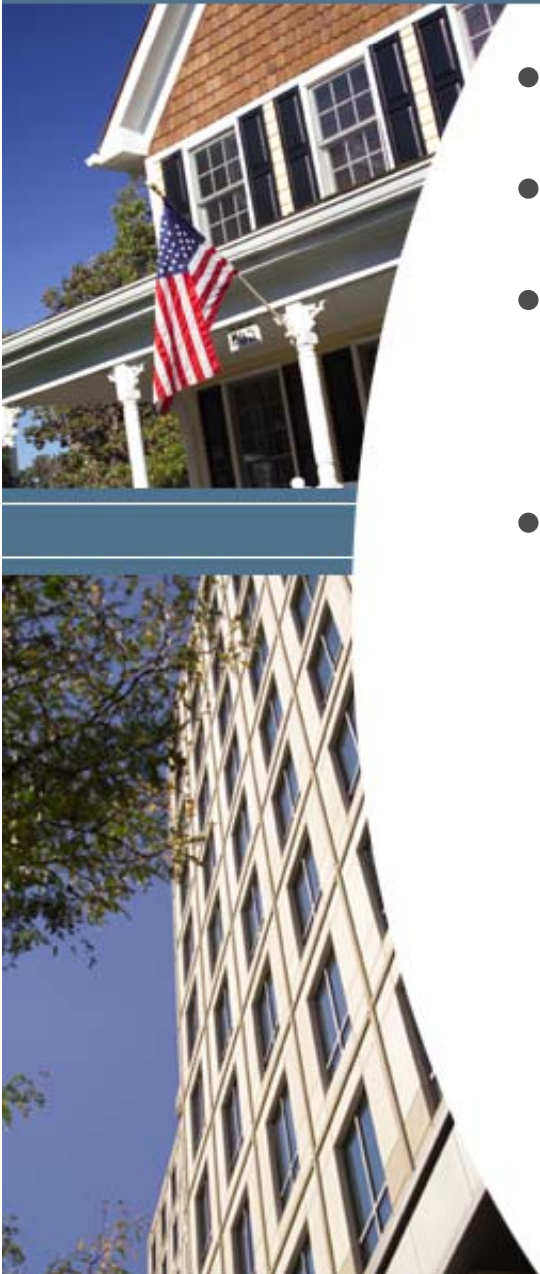


MISMO: Industry Standards

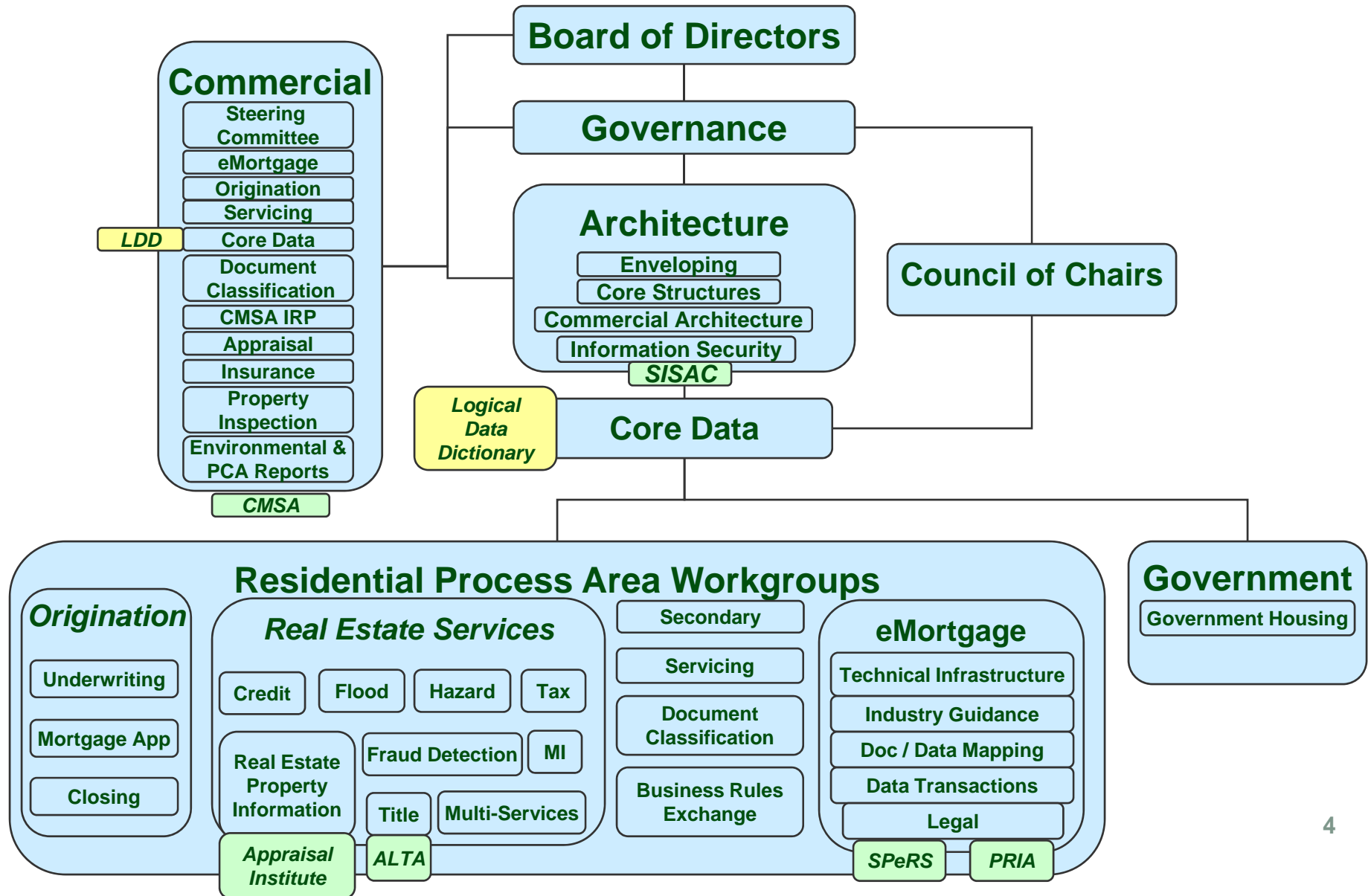


- XML Data Standards for e-commerce
- Info Security Best Practices
- eMortgage Guidelines and Specifications

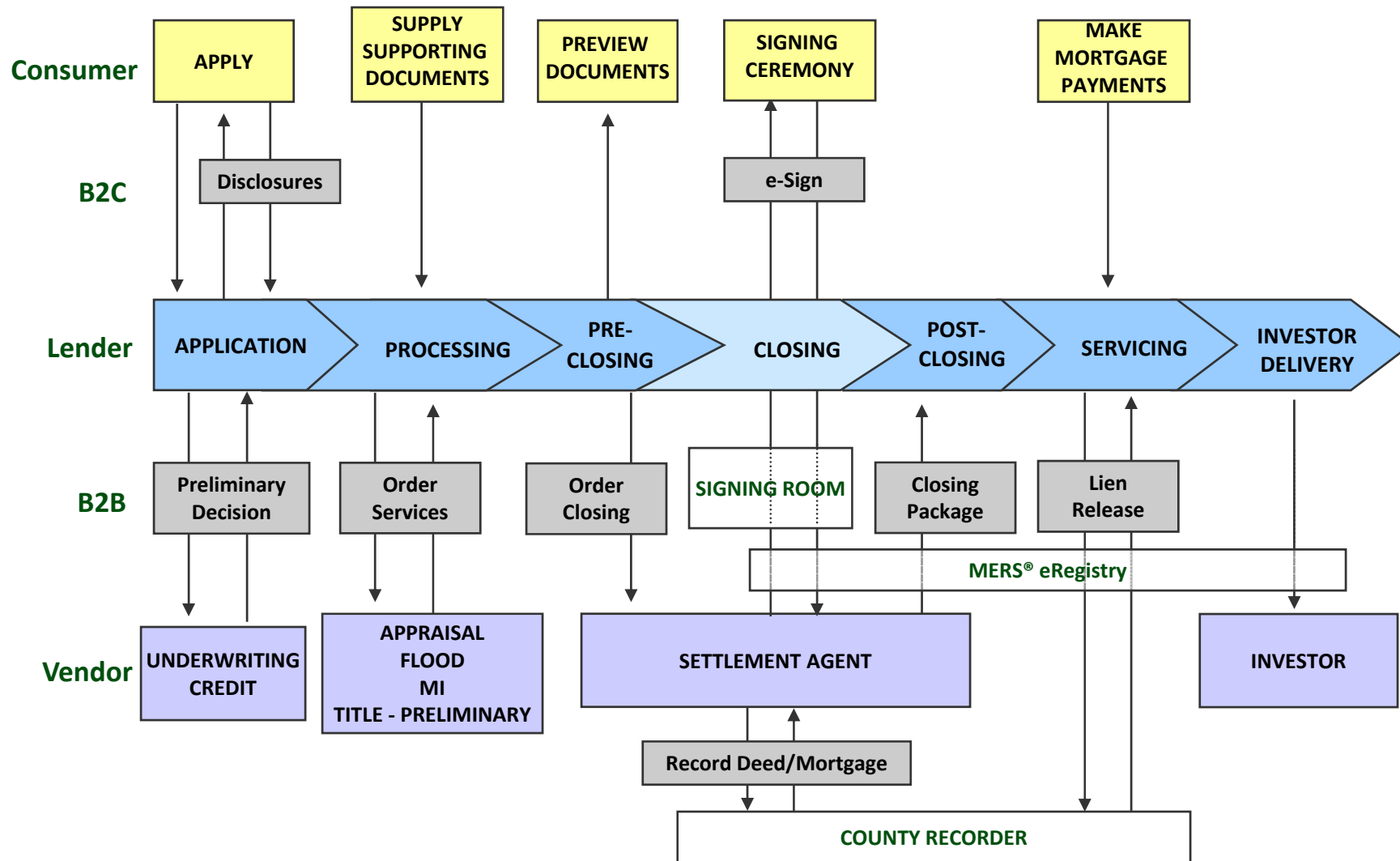
- Version 3.0 – XML Schema
 - » Structural consistency
 - » New capabilities, easier extensibility



MISMO Organization



Residential Mortgage Process Flow



eMortgage Adoption Task Force



- Industry Awareness & Feedback
 - » Letter to Industry
 - » eMortgage Starter Kit
 - » Adoption Survey
- Investor Adoption
 - » Summit meeting / presentation at MBA Secondary, NYC
- Warehouse Lending
 - » White paper: Legal Framework
- eServicing
 - » Reconvening broader industry group
- eRecording
 - » Working with PRIA to identify adoption support strategies

eMortgage Adoption Survey



- Widespread familiarity with eMortgage (98%)
- 72% using MISMO in eMortgage efforts
- Greatest benefit:
 - » Process innovation – 50%
 - » Cost savings – 37%
- Expected “high” level of benefit:
 - » Closing – 61%
 - » Post-closing – 67%

Business Value: ROI of Technology



- Faster execution; lower risk
 - » Minutes vs. Days
- Parallel workflow
 - » Several processors can work on e-loan file at once
- Eliminate paper shipping
 - » Save shipping costs, eliminate weather delays
- Greater security
 - » eDoc security controlled centrally; no paper floating on desks
- Reduced effort for QC, auditing
 - » Automated QC, eliminate Stare and Compare
 - » No need to audit multiple silos; normalized data through systems
- Easier (e)Servicing, (e)Custodial setup
 - » Instant sharing of eDocs

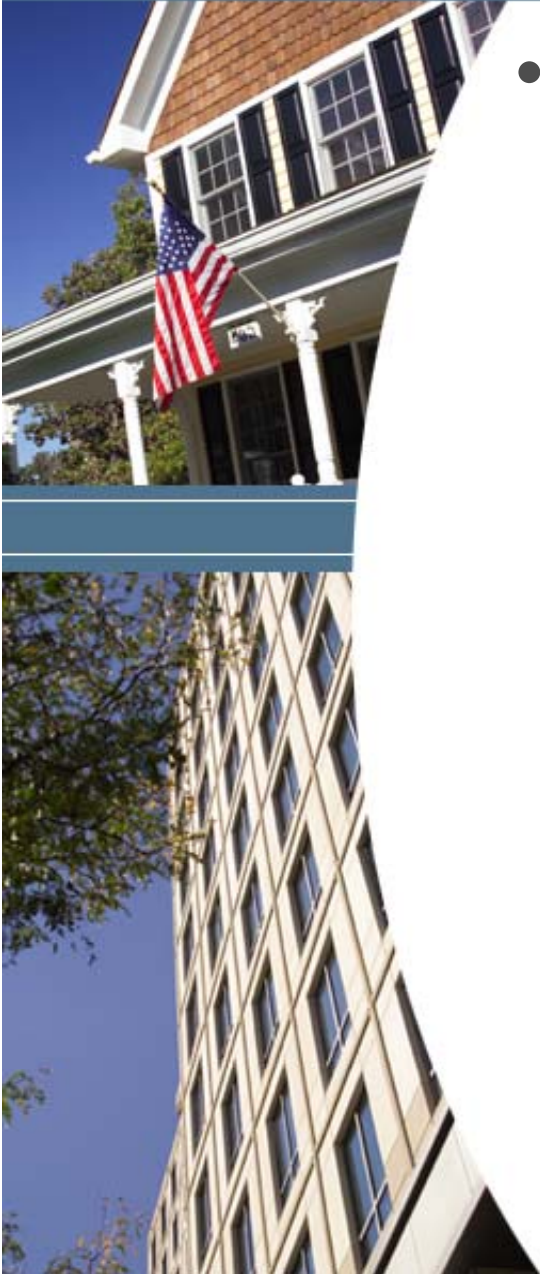
MERS Role in Paperless Mortgages



Katie Paolangeli, Business Integration Director



What is MERS?

- 
- MERS is the industry utility created by mortgage bankers to promote electronic commerce and eliminate paper-based processes.
 - » MERS eliminates the need to prepare and record paper assignments when selling loans between MERS® Ready members.
 - » MERS operates the MERS® eRegistry to provide liquidity for electronic notes.

What is the MERIS® eRegistry?



- The industry's response to the requirements imposed by UETA and ESIGN
- The central location to identify the current Controller (holder) and Location (custodian) of the Authoritative Copy of an eNote



Definitions: Paper to “E”



Paper World

Negotiable Instrument

Possession

Original Note (wet signature)

Investor /Holder

Custodian

Endorsement and Delivery

Chain of Endorsements

Servicer

Electronic World

Transferable Record (“eNote”)

Control

Authoritative Copy of eNote

Controller

Location (“eVault”)

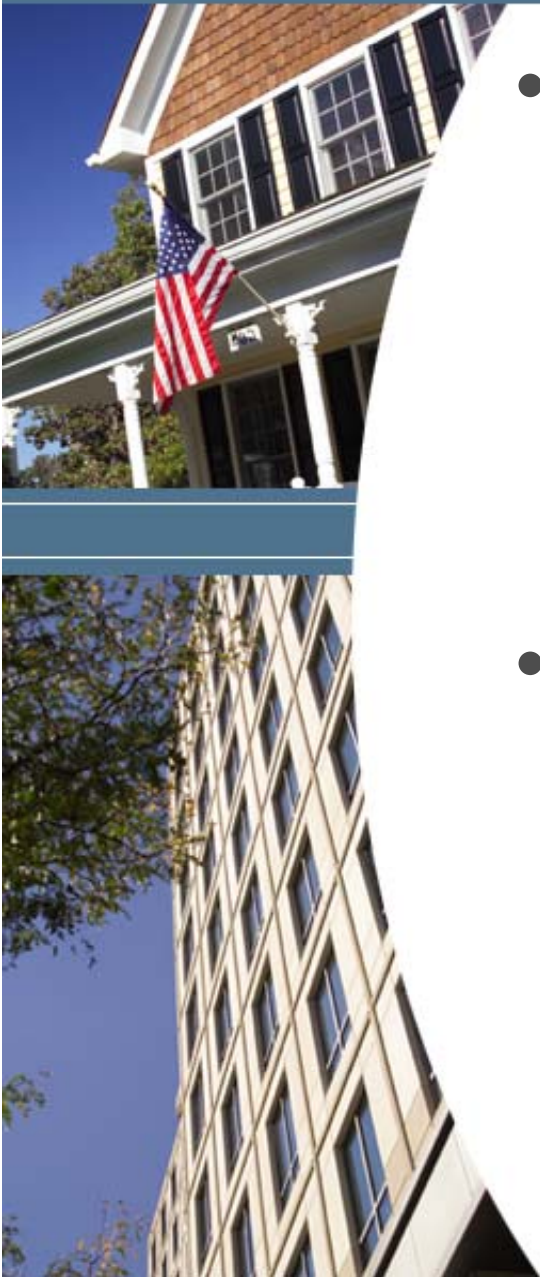
Transfer of Control

Transferable Record Audit Trail

Controller’s Delegatee

ESIGN and UETA

- Requirements around the validity and enforceability of electronic signatures include the need to store records in an accessible and accurate manner to maintain legal enforceability.
- Accessibility – speaks not only to present day controls around access, but also to system obsolescence.



MERS® eRegistry Lender Status



Live on MERS® eRegistry:

Fannie Mae

GMAC (as servicer and eVault)

AmTrust Bank (& 500 brokers)

First Houston Mortgage

Boeing Employee Credit Union

American First Credit Union

1st Advantage Mortgage

Flagstar Bank

Century Bank

Freddie Mac (Pilot)

Greenlight Mortgage (Pilot)

Wells Fargo (Pilot)

First Collateral (Pilot)

- **In Integration:**

Freddie Mac

GMAC (as lender)

Navy Federal Credit Union

First American Credit Union

Hinsdale Bank & Trust

Freemont Bank

Over 4,200 eNotes registered since inception

MERS® eRegistry Vendor Status



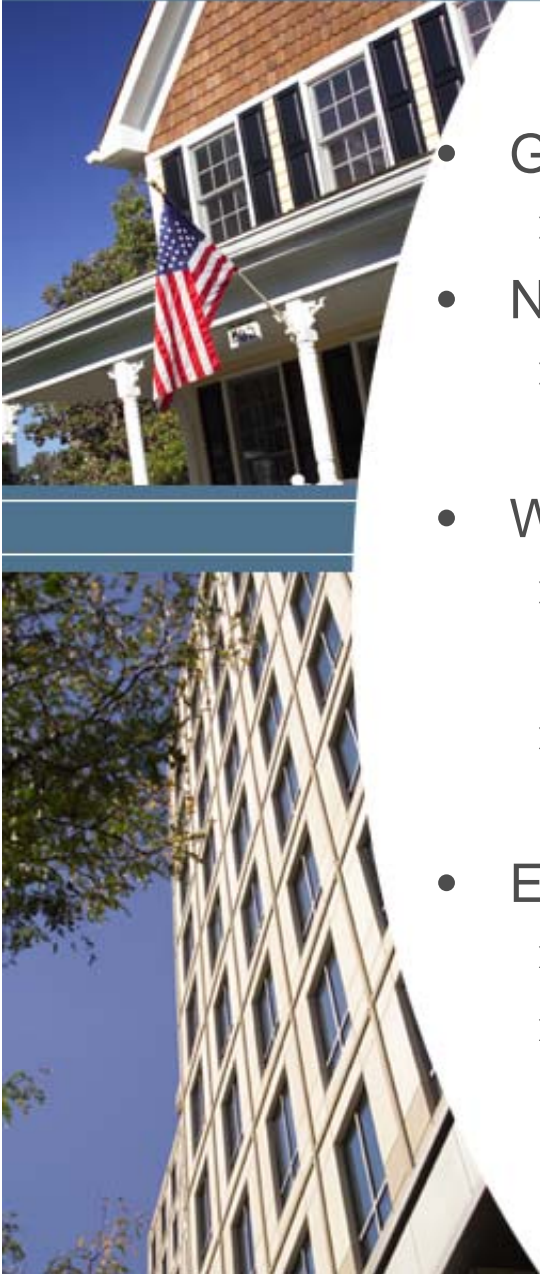
- **Live on MERS® eRegistry:**

Document Processing Systems
Encomia
Fiserv
Settleware



- **In Integration:**
Stewart
First American
Silanis
MBMS

What's Next?

- 
- Government Loans
 - » Ginnie Mae has published eVault guide
 - Non-conforming product
 - » Rating Agencies have no legal objections, waiting for a lender to securitize
 - Warehouse Lending
 - » Bailee agreement proposed solution - published by MBA eMortgage Adoption Task Force
 - » First Collateral / Greenlight transaction on MERS® eRegistry
 - Electronic Security instrument
 - » MISMO & PRIA developing standards together
 - » Over 200 counties accept some form of electronic recording today

Two Important Definitions

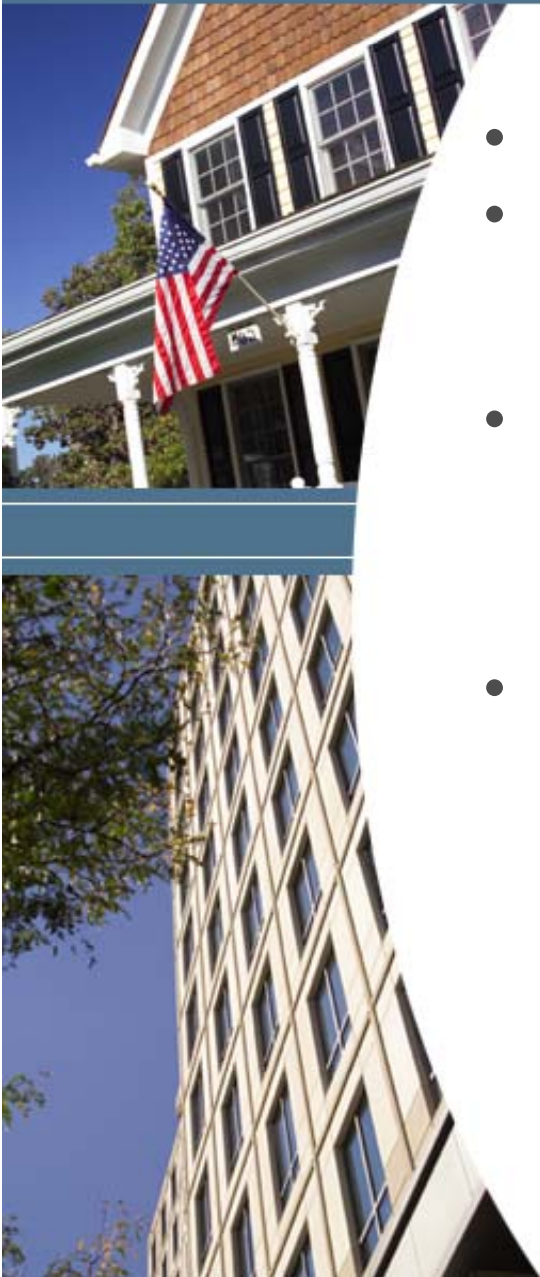
- **Electronic Vault**

A transferable records management solution that meets ESIGN, UETA, and other compliance requirements. The concept is similar to a paper vault run by the document custodian industry today. In addition to the transferable records, the solution may support other types of eDocuments

- **Location**

The Person named on the MERS® eRegistry that maintains the Authoritative Copy of the eNote either as Controller or as a custodian on behalf of the Controller

General Requirements

- 
- **Safekeeping** – control over access, physical security
 - **Custodial Control** – document tracking to maintain ownership records and maintain status of eNotes in a pool
 - **Certification** – to provide assurance to the Investor that the custodian possesses the correct copy of the eNote and other documents required by the Investor. See SPeRS requirements for more detail.
 - **Comply With Investor Requirements** - be in good standing with regulators, rating agencies, have disaster recovery plans, maintain quality assurance procedures, maintain insurance

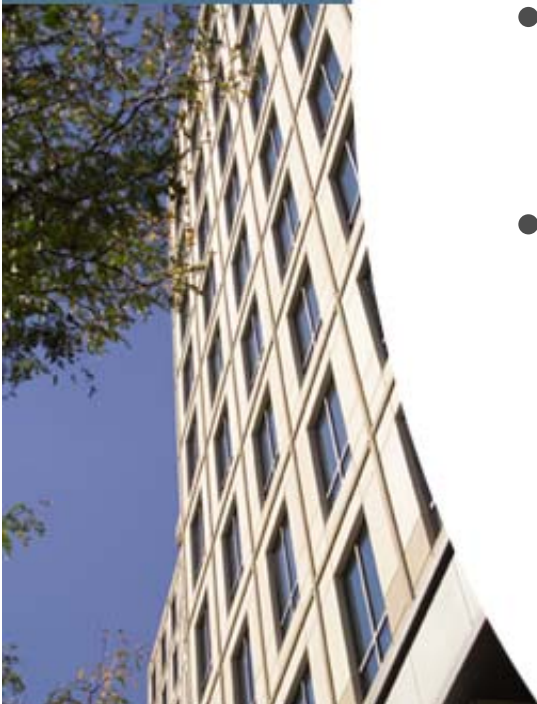
*These are all similar to a **physical vault**.*

The Agencies



- Freddie Mac, Fannie Mae, Ginnie Mae
- All three allow for a third party custodian to hold the eNote, and be named as the Location on the MERS® eRegistry.
- Check with each Agency for specific requirements

A Hybrid World



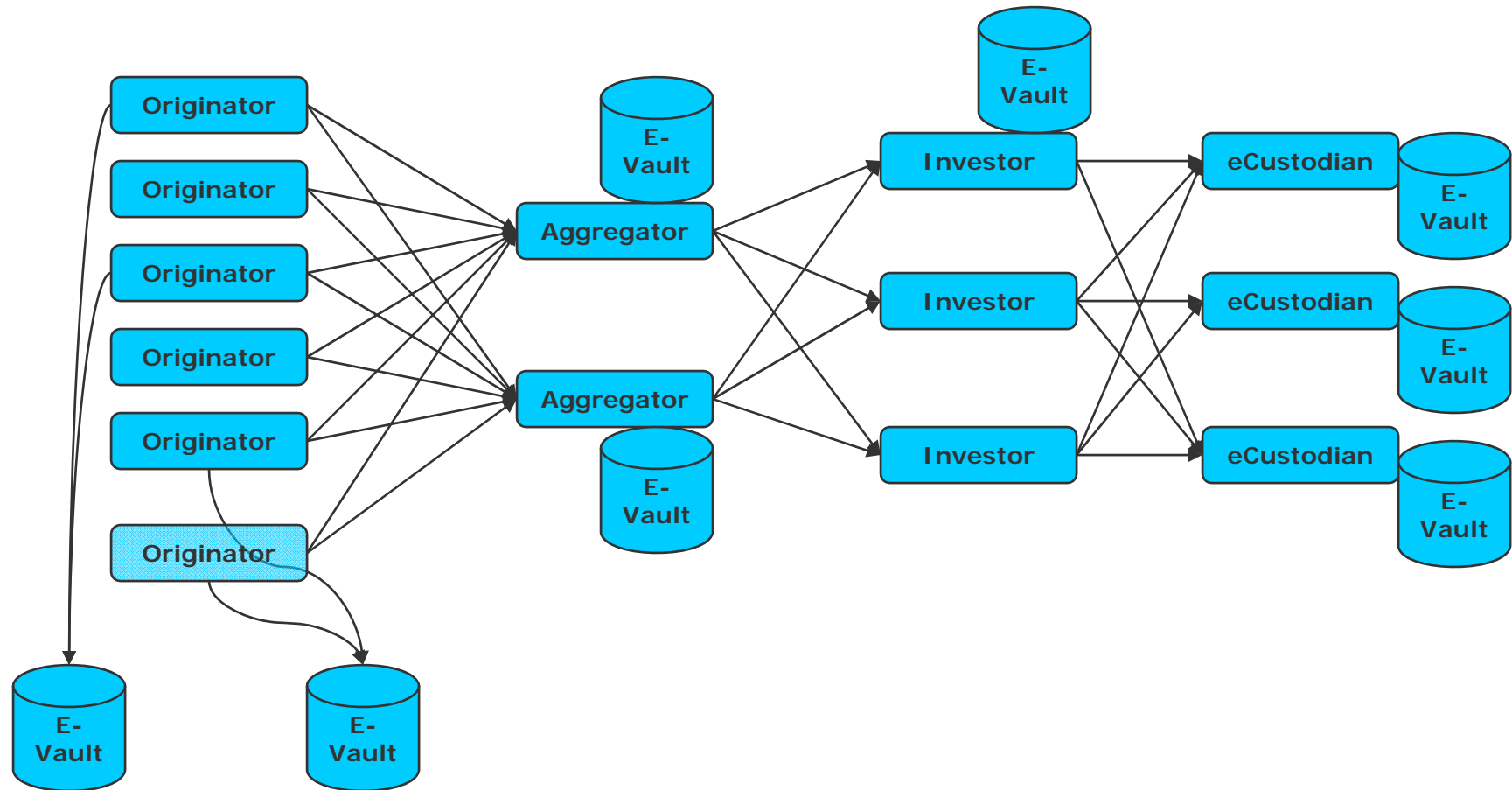
- For the foreseeable future, an electronic vault will need to work in conjunction with a paper vault.
- There will be loans that have an eNote but other documents are paper.
- There will be pools of loans containing eNotes and paper notes.
- The solution employed must be able to give the full picture at a loan level and at a pool level.

MERS Requirements/Expectations

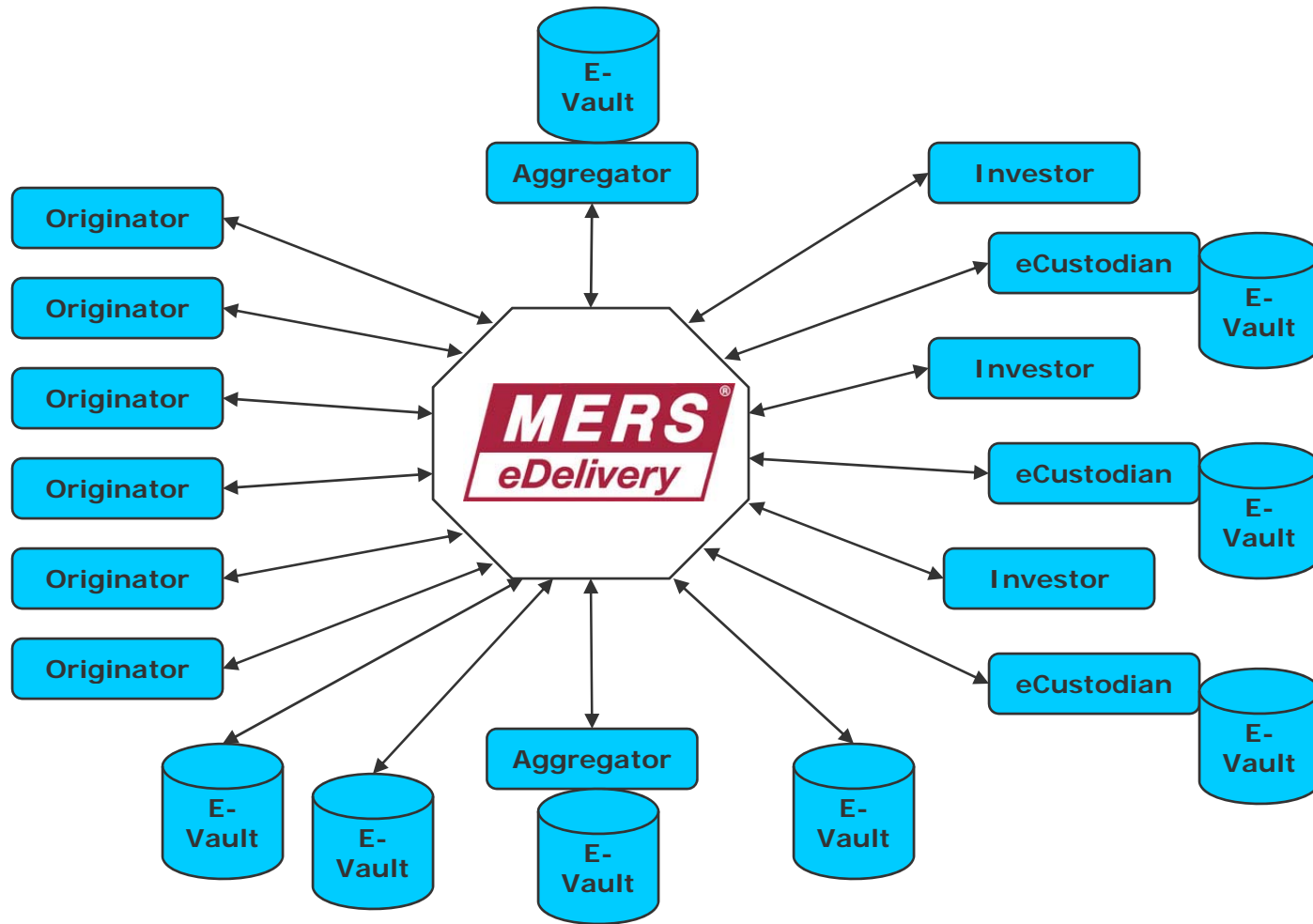


- Integrate with the MERS® eRegistry:
 - » MERS Membership
 - » Connectivity to the MERS® eRegistry
 - » Successful integration with MERS (verified ability to send and receive XML messages with MERS)
- Take delivery of an eNote – MERS® eDelivery
- Accept Transfer of Location on the MERS® eRegistry
- Initiate inquiries on the MERS® eRegistry for eNote status
- Report servicing events to the MERS® eRegistry

Without MERES[®] eDelivery



With MERS® eDelivery



Fraud Prevention and Detection



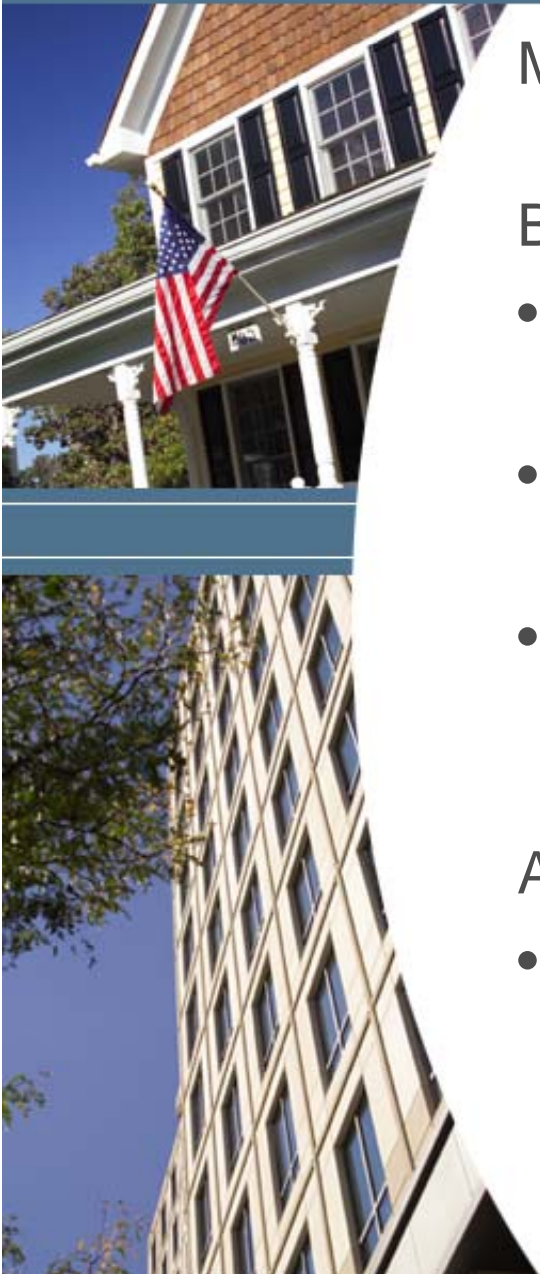
MERS provides tools to aid in your Fraud prevention and detection efforts:

Before Closing:

- XML inquiries on MIN and SSN or TIN or Property Address
- MERS® Online options available to search for loans with same address/SSN/lien type
- MERS Servicer Identification System – available to the public to search for loans with same Address/Borrower or FHA/VA/MIN Certificate

After Closing and Registration on MERS:

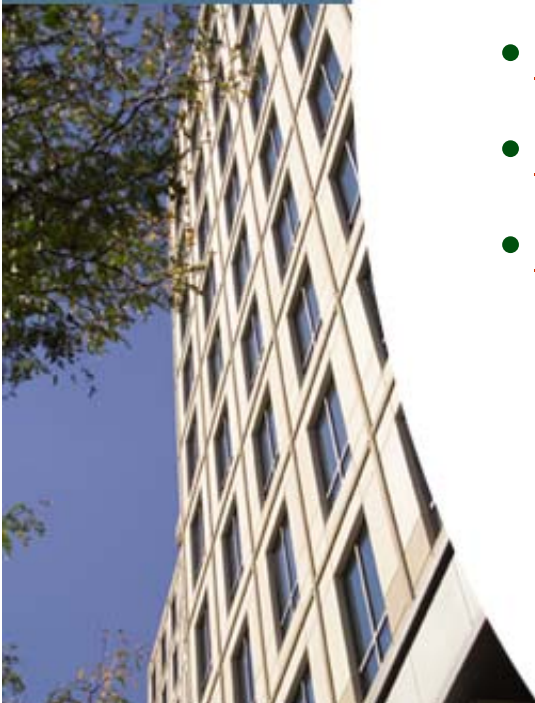
- Report generated if newly registered loan matches Borrower/SSN/First Lien of another registered loan.



Resources



- www.mortgagebankers.org MBA
- www.mortgagebankers.org/emortgage MBA eMortgage
- www.mersinc.org MERS
- www.mismo.org MISMO
- www.pria.us PRIA
- www.sisac.org SISAC
- www.spers.org SPERS



Thank You



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