

Implementing eMortgages

Benefits & Challenges

Presentation Purpose:

An overview of deploying eMortgage initiatives and technology at the Originating Lender, Custodian, Aggregator/ Investor levels

Panel Participants, in Speaking Order

- Harry Gardner, Senior Director, MBA
email: HGardner@mortgagebankers.org
- Barbara Krawczun, Managing Director, GMAC Bank
email: barb.krawczun@gmacbank.com
- Dan McLaughlin, EVP, MERS
email: danm@mersinc.org
- Mike Grego, COO, 1st Advantage Mortgage LLC
email: Mike.grego@1amllc.com
- Kim Herbert, PM, GMAC Bank
email: kim.herbert@gmacbank.com

Agenda

- eMortgage Overview 10 Minutes
- GMAC RFG Critical Partners 2 Minutes
- The MERS® eRegistry 10 Minutes
- The Correspondent,
1st Advantage Mortgage, LLC 10 Minutes
- The Custodian, GMAC Bank 10 Minutes
- The Investor, GMAC RFG 10 Minutes
- What's Next? 10 Minutes
- eMortgage Utopia 5 Minutes
- Panel Discussion, Q & A 15 Minutes

eMortgage Overview

Harry Gardner

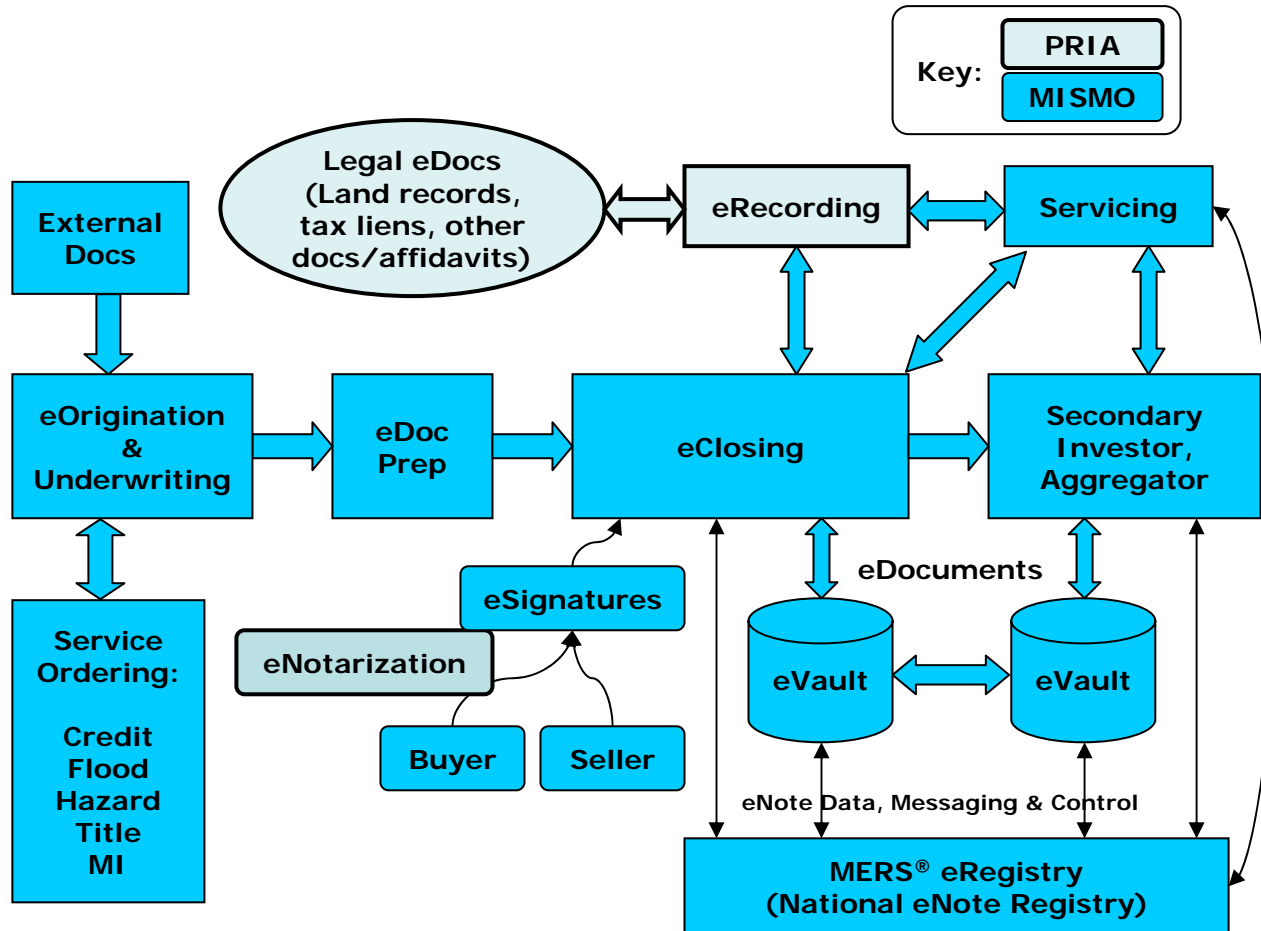
What's an eMortgage?

- Document Imaging?
- eNote?
- eNote + other eDocs?
- eNote + other eDocs + Imaging?

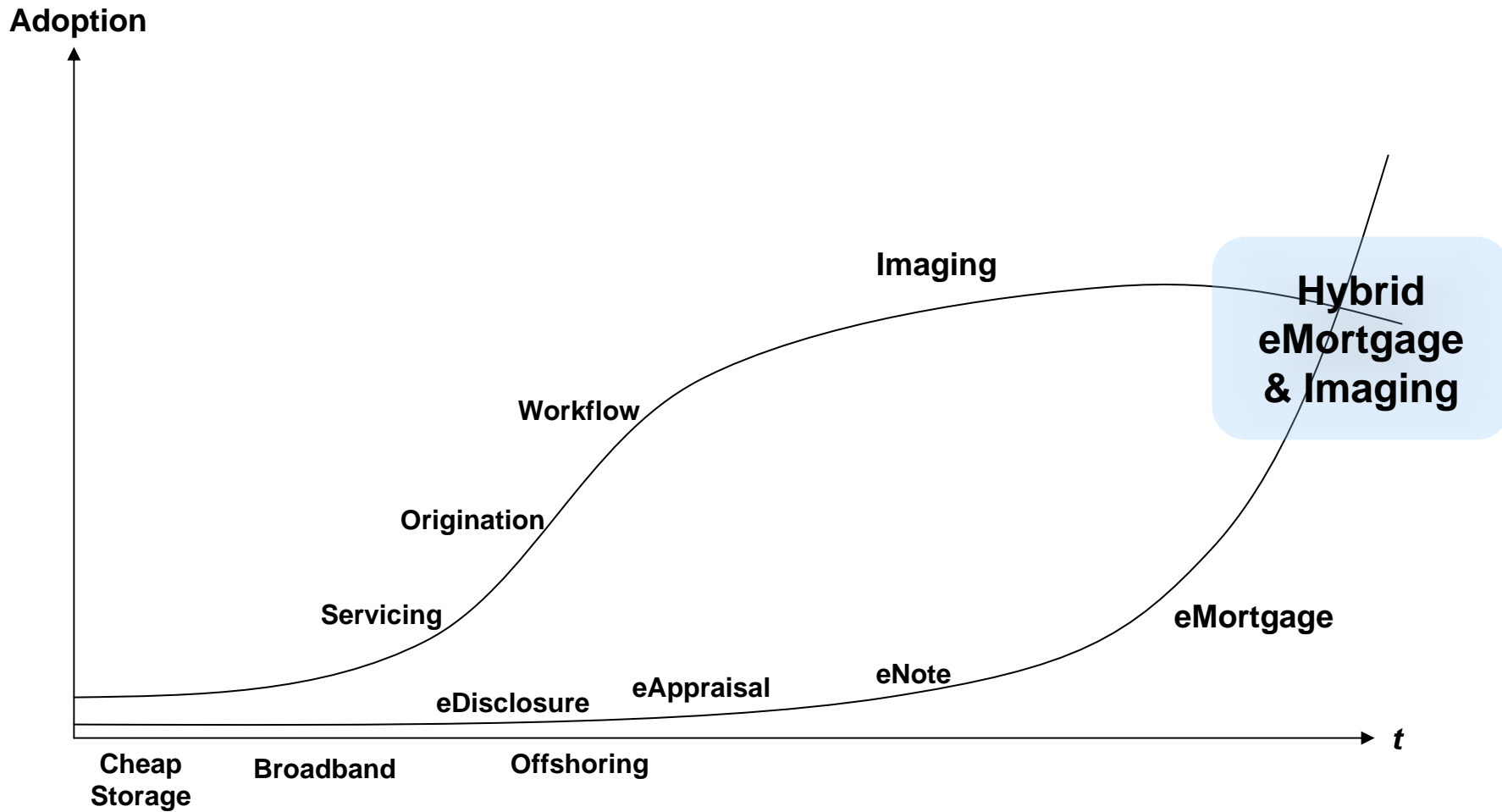
eMortgage Definition

A mortgage where the critical loan documentation – at a minimum the promissory note, and preferably also the assignments, security instrument and other closing docs – are created electronically, executed electronically, transferred electronically and stored electronically.

eMortgage Process Flow



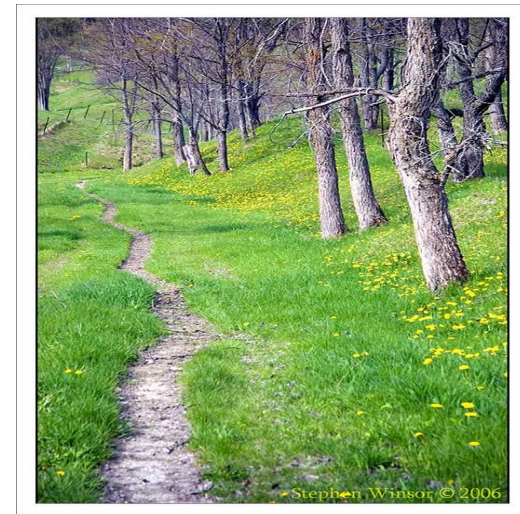
Imaging / eMortgage Co-existence



An eMortgage is...

- A new way of thinking
- A chance to rework old processes
- NOT just “making the paper electronic”

- Don't pave the cow path



GMAC RFG

Critical Partners to Date

- 1st Advantage Mortgage, LLC
- First Houston Mortgage, Ltd
- Agencies
- Encomia
- MBA
- MERS
- Our Customers!

The Role of the MERS[®] eRegistry in Deploying eNotes

Dan McLaughlin



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 an Industry Utility?

A business that provides an essential service to participants of a specific industry

- Member owned
- Cooperative technology
- Encouraged/required by trading partners
- Innovative
- Efficient
- Establishes and promotes industry standards

Why Standards Matter

- MISMO® Data standards = interoperability and reuse
- Uniform Documents = best execution
- MERS® eRegistry = security and liquidity
- MERS® eDelivery = ease of adoption
- MBA eMortgage Guidelines = simplicity
- SPeRS = enforceability



What is the MERS® 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 World



Electronic World

Negotiable Instrument

Original Note

Possession

Investor/Holder

Custodian

Endorsement

Holder in due course

Servicer

Transferable Record (“eNote”)

Authoritative Copy of eNote

Control

Controller

Location (eVault)

Transfer of Control

Transferable Record Audit trail

Controller’s Delegatee

MERS® eRegistry Lender Status

Live on MERS® eRegistry:

Fannie Mae
GMAC (as servicer and eVault)
Freddie Mac (Pilot)
Greenlight Mortgage (Pilot)
First Houston Mortgage, Ltd

Ohio Savings Bank
1st Advantage Mortgage, LLC
Wells Fargo (Pilot)
First Collateral (Pilot)
Over 60 brokers

In Integration:

Freddie Mac
GMAC (as lender)
Flagstar
Hinsdale Bank & Trust
Fremont Bank
American First Credit Union

Countrywide
Navy Federal Credit Union
Fremont Savings & Loan
National City Bank (of Kentucky)
ABN AMRO

Over 1,700 eNotes registered since inception



MERS® eRegistry Vendor Status

Live on MERS® eRegistry:

Data Processing Systems

Fiserv

Encomia

Settleware

In integration:

Stewart

Silanis

First American

MBMS

MERS® eDelivery

- Standardized delivery of electronic documents from one member to another
- Reuses MERS and MISMO standards of the MERS® eRegistry
- Required by Fannie Mae for delivery of eNotes



The eMortgage Originator: 1st Advantage Mortgage, LLC

Why eMortgages?

Mike Grego

A Correspondent's Perspective

Reduce negative warehouse interest expense & increase business capacity and operational efficiency

- Loans are purchased within a day or two of closing
- Warehouse lines can be turned several times a month
- Increase cash flow – hair cut money returned sooner
- No need to interim service loans
- Fewer staff required for shipping and post closing

Reduce shipping cost and time

Conventional Shipping		Electronic Shipping	
• 1 shipper per 8 loans	\$20	• 1 shipper per 16 loans	\$10
• Overnight shipping cost		• Overnight shipping cost	\$0
– Title Co. to our office	\$10		
– Note to WH bank	\$10		
– WH bank to Investor	\$10		
– Our office to Investor	\$10		
Total Cost	\$60	Total Cost	\$10

Net hard cost savings = \$50 per file

Additional savings from reduced post close labor

Reduce errors and data entry mistakes

- Loan specific information in the xml data within the note is populated from LOS data
- The automated systems have logic built in to make sure that the correct note is used and all required documents are present and signed properly
- The system will not allow you to continue and close a loan without meeting the predetermined requirements that are necessary to complete the transaction

eMortgages are a Win-Win for both the Correspondent and the Lender

- Data accuracy is carried through the entire process
 - no re-keying of data
- Human errors are reduced through automation of the closing process
- Quality is much higher building a stronger relationship
- Fewer staff required
 - Duplicate data entry
 - Post close
 - Shipping / Receiving

The eMortgage Custodian: **GMAC Bank,** **Document Custody Division**

Barbara Krawczun

Kim Herbert

GMAC Bank, Document Custody Division

- What is a Custodian?
 - Agency & Regulatory Requirement Compliance
 - Safekeeping, Knowledgeable Associates, P&P, BCP
- Custodial Services
- The Role of the Custodian in the Electronic World
 - Need to support hybrid operations
- What's different between paper & "e" — Nothing!

GMAC Bank's Electronic Capabilities

- We provide 3rd party eMortgage custodial services
 - First pilots live Q1 2007
- We implemented Encomia's electronic vault software
- We store ANY type of electronic data

How GMAC Bank Became an eCustodian

- Disciplined, risk averse project structure
- Formal RFI process
- Partnership with our customers
- Combined Practical & Theoretical

The Aggregator / Investor: **GMAC RFG**

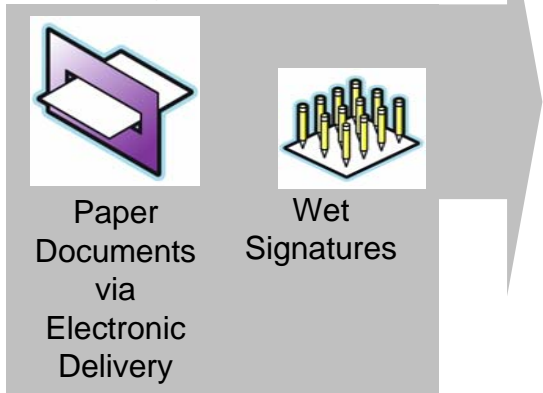
Kim Herbert
Barbara Krawczun

eMortgage Advantages

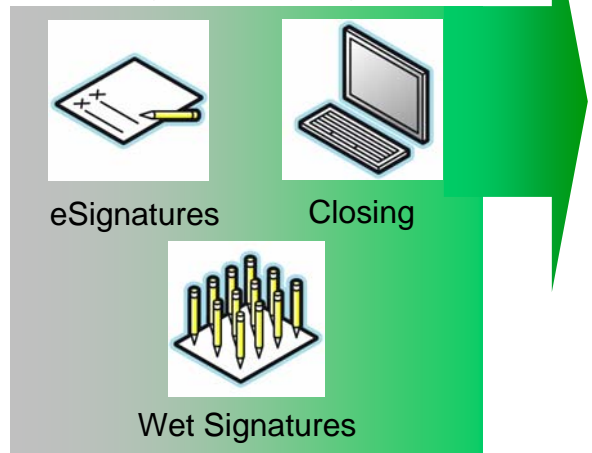
Benefit	Lender	Custodian	Aggregator / Interim Investor
Eliminate Data reentry	✓	✓	✓
Increase number of loans processed per person	✓	✓	✓
Improve customer service (access to documents before and after closing, reduce time to redraw docs at closing)	✓	✓	✓
Reduce warehouse costs (reduce time of loan on credit line)	✓		✓
Reduce financial risks (exposure to rate risk, hedging costs, expedited payment)	✓		✓
Reduce operational risks (Movement of the collateral, business continuity)	✓	✓	✓
Improve data security	✓	✓	✓
Increase Liquidity	✓		✓
Eliminate or reduce shipping costs	✓	✓	✓

Evolving Toward a 100% Paperless Mortgage

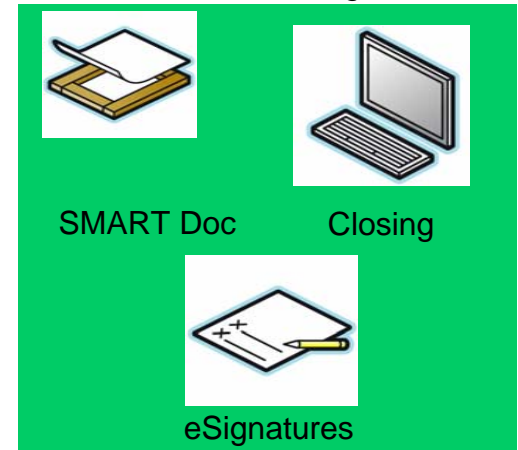
1. Scan paper documents or generate document images from paper files and deliver to closing table to print and wet sign



2. Scan paper documents or generate document images and deliver to closing table to electronically sign documents but not the Note. Other documents may require printing and a wet signature



3. Generate a MISMO-compliant electronic Note and other documents. Electronically sign documents, including the Note



eMortgages at GMAC RFG

How?

- Enterprise Communication & Collaboration
 - Vision & Strategy
 - Business Process
 - Technology
- Key Stakeholder Support & Alignment
 - Executive Leadership
 - Middle Management
 - Legal & Risk
- Walk Before We Run: **Pilots Prove It Works!**

eMortgage Advantages

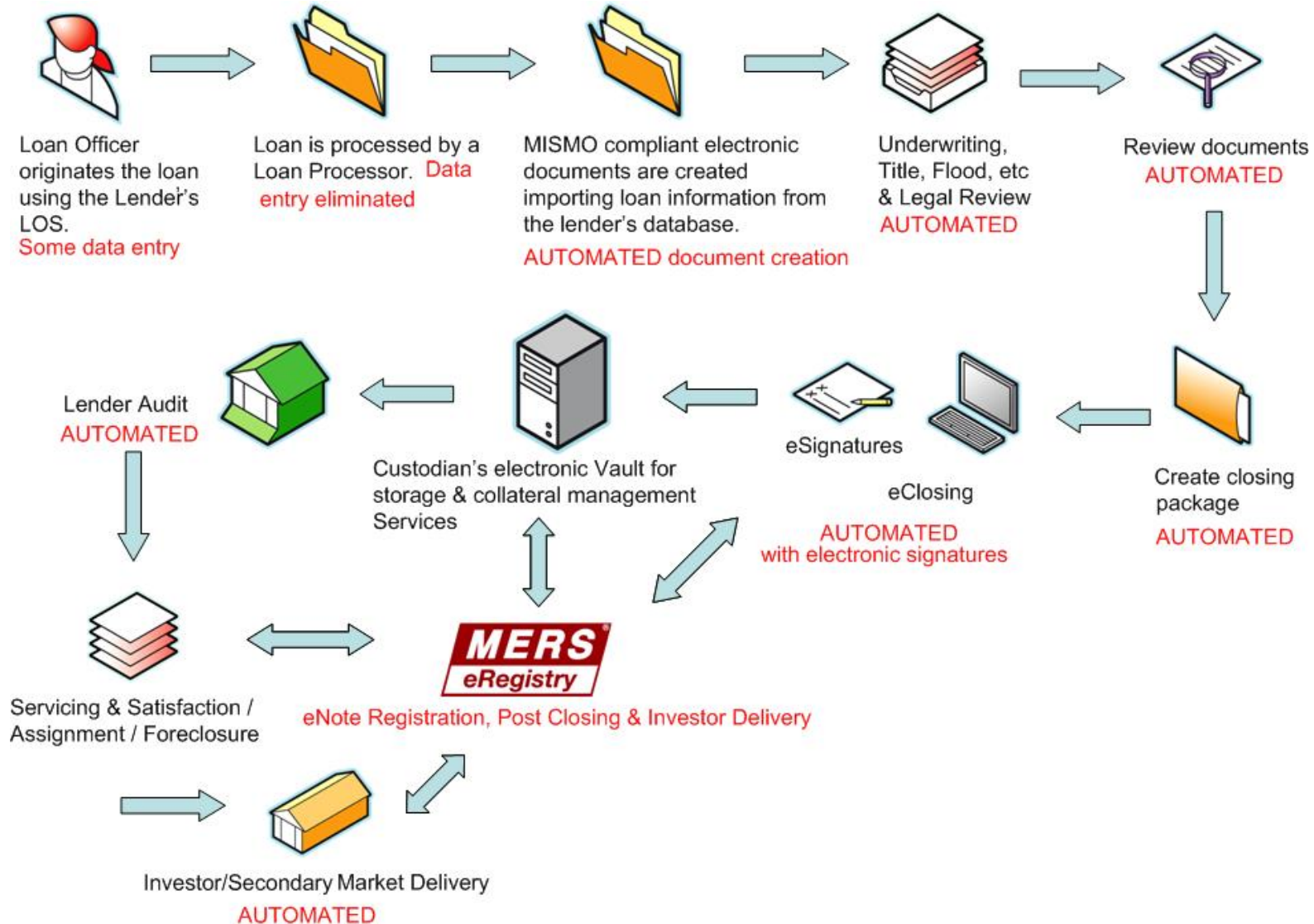
These aren't "friction points" for GMAC RFG!

- **eRecording:** We want to walk before we run
- **Security & Privacy:** Better technology + fewer handoffs = less risk
- **eSignature Regulations:** Opportunity to educate & partner
- **Mortgage Market Readiness:** Technology, business partners, and Borrowers are ready and GMAC RFG is here to support You
- **Industry Standards:** Baseline standards are implemented to support initial volume
- **Competing Priorities:** Now is the time to focus on projects that reduce risk, save money and improve operational processes

What's Next?

- Government Loans
 - Ginnie Mae has published draft eVault guide
- Non-conforming product
 - Rating Agencies have no legal objections, waiting for a lender to securitize
- Warehouse Lending
 - Model Bailee Agreement sponsored by MBA
 - 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

eMortgage Utopia



Q&A : Panel Discussion