

QUICK FACTS

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An introduction to the MERS® System, Merscorp Holdings, Inc., and Mortgage Electronic Registration Systems, Inc.

What is MERSCORP Holdings?

MERSCORP Holdings, Inc. is a privately held corporation that owns and manages the MERS® System and all other MERS® products. There are more than 5,000 lenders, servicers, subservicers, investors and government institutions who are MERS® System members.

What is MERS?

Mortgage Electronic Registration Systems, Inc. (MERS) is a wholly-owned subsidiary of MERSCORP Holdings, and its sole purpose is to serve as mortgagee in the land records for mortgages registered on the MERS® System. MERS is a nominee for the lender and subsequent buyers (“beneficial owners”) of a mortgage loan and serves as a common agent for the mortgage industry.

What is the MERS® System?

The MERS® System is a national electronic database that tracks changes in mortgage servicing rights and beneficial ownership interests in loans secured by residential real estate. More than two-thirds of all newly originated residential loans in the United States are registered on the MERS® System.

Are MERS loans recorded in the public land records?

All mortgages (or deeds of trust) registered on the MERS® System are recorded in the public land records, and MERS remains the lien holder in the land records whenever transfers of the promissory note or servicing rights take place between MERS® System Members. The MERS® System is not a legal system of record nor a replacement for the public land records. No legal interests are transferred on the system; they’re only tracked.

How does MERS become a mortgagee?

There are two ways. At closing, the borrower and lender both agree to standard language in the security instrument making MERS the original mortgagee, with the right to act on behalf

of the lender. The standard language is approved and used by Fannie Mae, Freddie Mac, Ginnie Mae, the Federal Housing Administration (FHA) and the Veterans Administration (VA). If MERS was not recorded as the original mortgagee on the security instrument, a lender can assign the mortgage to MERS after closing.

What does “MERS as original mortgagee” mean to borrowers?

When borrowers sign the mortgage security instrument at closing, they agree to standard language that grants and conveys legal title of the mortgage to MERS as mortgagee, giving the company the right to act on behalf of the current and subsequent owner of the loan. However, MERS does not make decisions regarding the borrower’s mortgage; it acts only on the instructions of the owner of the loan or its servicer.

Does MERS collect mortgage payments from borrowers?

MERS doesn’t handle mortgage servicing. The mortgage lender, or another mortgage servicing company, collects payments from borrowers and manages their loans. Borrowers who have questions about their loans, or who need help with foreclosure prevention, should contact the company where they send their payments. Since 2011, all mortgage loans going to foreclosure must be assigned from MERS and recorded in the servicer’s name before foreclosure is initiated.

What does MERS do for lenders?

As the mortgagee of record, MERS provides service of process on legal documents and receives legal notices and other mail regarding the mortgaged properties. MERS, through its service provider, MERSCORP Holdings, Inc., sorts, scans and transmits documents electronically to the appropriate MERS® System Member for each loan. Because MERS is a

COMPANY STATISTICS

WHAT: The MERS® System, MERSCORP Holdings, Inc. and Mortgage Electronic Registration Systems, Inc. (MERS).

WHO: For a complete list of shareholders, visit our website at www.mersinc.org.

WHEN: Established in Oct. 1995 in Delaware. The MERS® System began registering and tracking mortgage loans in 1997.

WHERE: MERSCORP Holdings, Inc. and MERS are headquartered in Reston, Va.

WHY: The concept of the MERS® System was created in the 1990s, in response to changes in the mortgage finance industry, to streamline the mortgage process by using e-commerce to replace paperwork.

MEMBERSHIP: More than 5,000 lenders, vendors and government entities.

common agent for MERS® System Members, the need for recording an assignment of the mortgage is eliminated when transfers in the ownership of the promissory note or servicing rights occur between MERS® System Members. The mortgage lien remains with MERS as the mortgagee, thereby eliminating work and cost. The MERS® System also provides information on undisclosed liens, which reduces fraud.

Does MERS have the documents for loans registered on the system?

MERS is not a document custodian and doesn't hold promissory notes or mortgage documents on behalf of the lender, servicer or investor.

How does MERS benefit borrowers?

MERS as original mortgagee eliminates breaks in the chain of title, resulting in less work and lower fees paid by the lender—fees that would ultimately be passed down to the homeowner. MERSCORP Holdings, Inc. provides access to MERS® ServicerID free of charge to homeowners, county officials, and regulatory officials (subject to privacy restrictions). The MERS® System is also used by local governments around the nation to identify parties responsible for maintaining vacant properties and addressing code violations.

How do homeowners know who their servicer or investor is?

Homeowners can access contact information on the servicer and investor of their mortgage loans registered on the MERS® System at www.mersinc.org or toll-free at (888) 679-6377. Transfer of ownership of the promissory note is not a recordable transaction. However, the Truth In Lending Act (TILA) requires that borrowers be notified of ownership changes. Real Estate Settlement Procedures Act (RESPA) regulations also provide for notice of servicing changes.

GLOSSARY

Beneficiary: The person/company for whose benefit a deed of trust is given.

Closing: The act of transferring ownership of a property from seller to buyer in accordance with a sales contract.

Deed of Trust: A document used in many states in lieu of a mortgage. Legal title to the property is vested in one or more trustees to secure the repayment of the loan.

Mortgage: A written security instrument by which a borrower gives the lender a lien on real estate as security for the repayment of a loan.

Mortgagee: The person or entity who holds a lien on real estate securing the repayment of the loan, or the mortgage lender or lender's nominee.

Nominee: One who, in a limited capacity, is authorized to act for or represent another.

Promissory Note: A document that acknowledges a debt and outlines a borrower's promise to pay the specified sum to the lender under specified terms. It is a negotiable instrument and changes in its ownership are not recordable events.

Servicing: Often performed for a fee after loans are sold to investors; includes billing, collecting payments, filing reports, managing tax and insurance escrow accounts, and default follow-up for mortgages.

