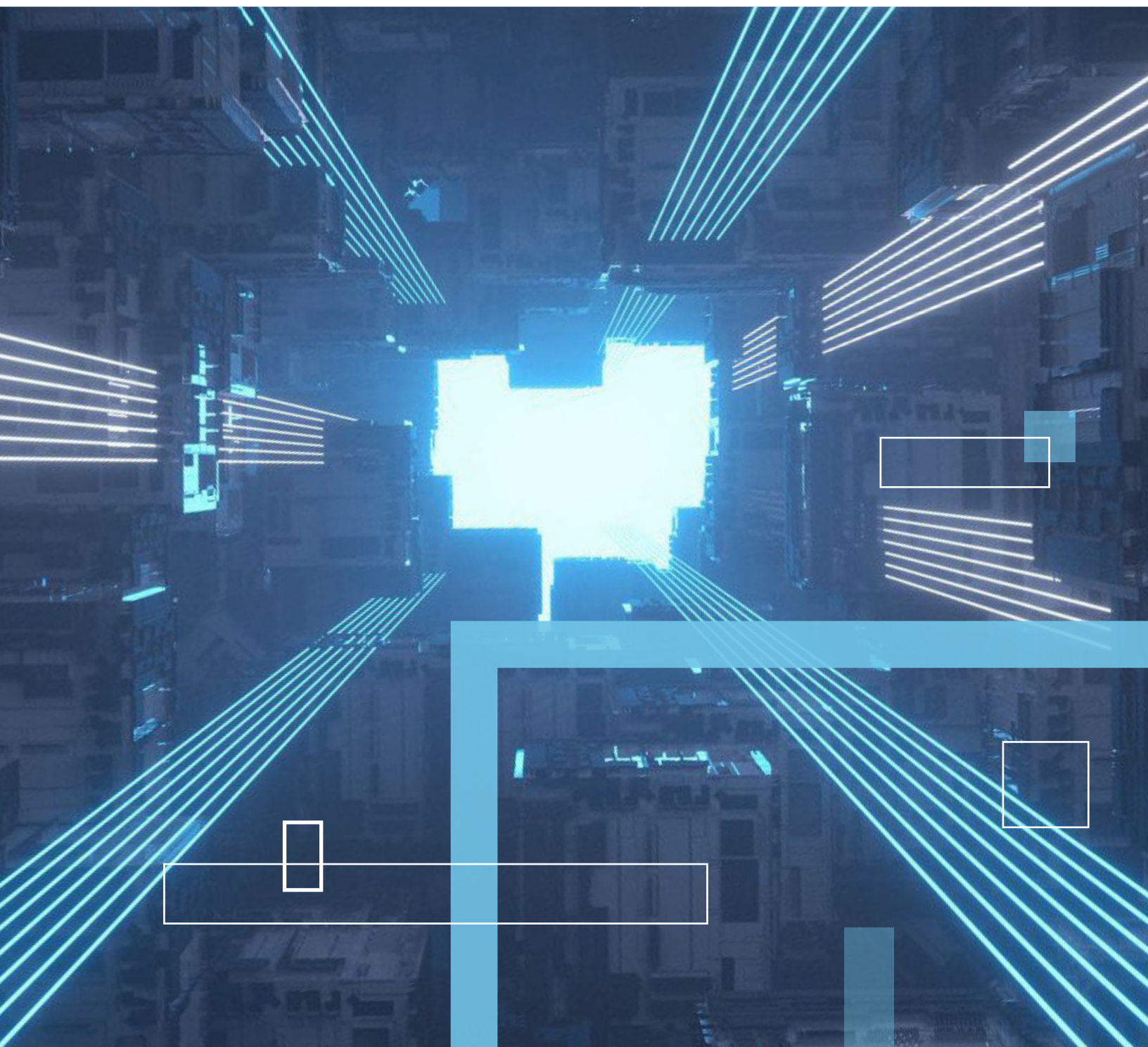




MERS[®] eRegistry



What can MERS® eRegistry do for you?

Lenders

- Streamline the closing experience
- Strengthen collateral security

Settlement agents

- Improve quality control and productivity
- Mitigate document fraud

Investors

- Enable faster and more efficient delivery to the secondary market
- Improve quality control and assist in fraud detection
- Eliminate risk of lost notes

Warehouse lenders

- Improve control of collateral
- Reduce exposure to double-pledging

Document custodians

- Support more efficient and accurate eNote custodian processes
- Allow for automated eNote certification

Servicers

- Support automation of eNote servicing audits
- Eliminate risk of lost notes

Why eNotes?

Imagine a mortgage process that is fast, efficient and secure.

Think about technological innovations, from a clunky telephone tethered to the wall that morphed into an untethered mobile device or a pad of paper that morphed into an electronic tablet. Technological advancements shape the way you and your customers conduct business every day. Your customers make deposits into a bank account by simply taking a photo of a check and sending it using a mobile app. In addition, they receive direct deposits, shop and pay bills online. These e-commerce innovations save time and money for all parties. The traditional mortgage process is lagging behind. Too often there are still stacks of paper at the closing table, lots of documents to sign and tape flags to designate where signatures are needed. This is changing. eNotes are helping transform the paper-intensive mortgage closing into a seamless digital transaction.

What are the benefits of an eNote?

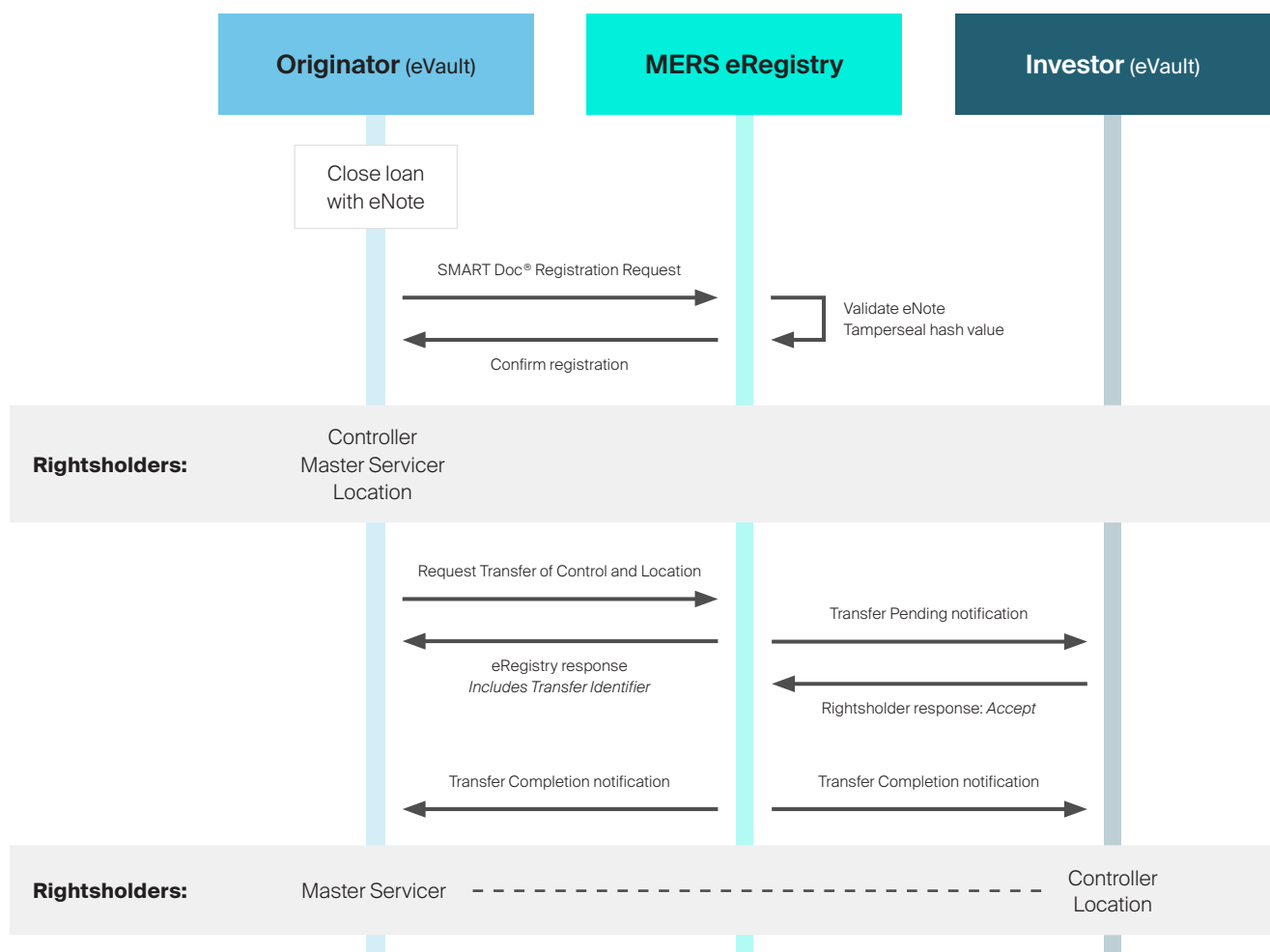
- Shortens time at the closing table and improves quality control
- Saves cost and time associated with lost or missing notes
- Ensures accuracy of note data and eliminates re-keying time and errors
- Delivers operating efficiencies by improving pipeline management and the use of capital

Introducing the role of MERS eRegistry

When the Borrower eSigns an eNote at closing, that eNote contains both a unique Mortgage Identification Number (MIN) plus language referencing the use of the MERS eRegistry as the system of record to identify the party in control of the eNote.

1. Immediately after closing, the lender registers the eNote on the MERS eRegistry. The registration record typically shows the lender as the Controller (Holder), Location (Custodian) and Master Servicer of the eNote.
2. When the eNote is sold or transferred, a lender initiates a Transfer of Control transaction to the new Controller. If the Custodian of the Authoritative Copy of the eNote changes, there needs to be a Transfer of Location to the new Custodian. Investors may require a change of Location as a condition of purchase. Most investors require the use of MERS eDelivery (secure electronic delivery) in this process.
3. The new Controller confirms the Transfer request(s). The MERS eRegistry record is automatically updated to show the new Controller (and Location, if applicable).
4. The Controller, or its Servicing Agent, is responsible for reporting servicing events (e.g., payoffs) to the MERS eRegistry.
5. All messages to and from the MERS eRegistry are system-to-system XML transactions sent across a secure connection.

Registration and Transfer process



New world/new language

Paper world	Electronic world
Negotiable Instrument	Transferable Record ("eNote")
Original Note	Authoritative Copy of eNote
Possession	Control
Investor/Holder	Controller
Custodian	Location
Endorsement	Transfer of Control
Chain of endorsements and delivery	Transferable Record audit trail
Wet signature	Electronic signature

How does my organization move forward with eNotes?

1. Appoint an internal resource to lead the initiative
2. Gather additional information, starting with mersinc.org/resources
3. Communicate with your trading partners to assess their readiness
4. Engage with technology vendors
5. Revise your internal processes to accommodate new technologies and efficiencies

What is the MERS eRegistry?

The MERS eRegistry is the system of record that identifies the Controller – the legal holder – of each eNote. It also points to the Location – the secure eVault storing a copy of the eNote that is designated as the Authoritative Copy of the eNote, which may be the Controller or their designated Custodian. Over two million eNotes have been registered on the MERS eRegistry.

The MERS eRegistry is essential in the eMortgage world. More lenders are closing eNotes and the transfers of those eNotes into the secondary market are reflected on the MERS eRegistry. Under the terms and conditions of the GSE Uniform Electronic Promissory Note, all transfers of the eNote are required to be registered on the MERS eRegistry.

The MERS eRegistry is one of multiple functions utilized by Participants to satisfy the Control requirement of Section 201(c) of the E-SIGN Act and Section 16(c) of the UETA with respect to a Transferable Record (or other digital asset, like an eHELOC, as defined in Article 12 of the Uniform Commercial Code). Its role is to be the authorized source to identify the party that has Control of the eNote and the Location (i.e., the party that maintains the Authoritative Copy of the eNote).

What is MERS eDelivery?

MERS eDelivery provides a secure method for sending eNotes and related documents from one eVault to another, eliminating the need for costly point-to-point eVault integrations.

Users can leverage MERS eDelivery to easily exchange electronic documents with any other eRegistry user, at no additional cost beyond the initial registration fee. MERS eDelivery only delivers the packages; it does not open or access the packages in any way.

What does the MERS eRegistry do?

When a lender registers an eNote on the MERS eRegistry, the registration process:

- Uniquely identifies the eNote's current Controller and Location of the Authoritative Copy
- Validates the MIN – Mortgage Identification Number (the unique identification number for a registered eNote)
- Stores the unique digital signature (hash value) of the eNote
- Validates the identity of the lender
- Confirms the registration is complete
- Prevents duplicate registrations
- Sends a confirmation to the lender
- Stores key information to readily identify the loan

What does MERS eDelivery do?

When a MERS eRegistry user sends electronic documents using MERS eDelivery, the process:

- Validates the MIN (Mortgage Identification Number) associated with the electronic document
- Validates the identity of the sender and the recipient
- Confirms the receipt of electronic documents by the recipient
- Maintains an audit trail of all deliveries
- Allows the recipient to notify the sender after the recipient opens the eDelivery package



MERS eRegistry FAQs

Q What is the MERS eRegistry?

A It is the authorized registry that identifies the current Controller (Holder) and Location (Custodian) of the Authoritative Copy of an eNote. The Controller of an eNote can have the equivalent rights as that of a “Holder in Due Course” of a paper negotiable promissory note. The MERS eRegistry is the mortgage industry’s “system of record” for holders of eNotes.

Q Do buyers of eNotes require the use of the MERS eRegistry?

A Yes. The MERS eRegistry is broadly required for eNote delivery to the GSEs, and for Ginnie Mae and the Federal Home Loan Banks as pledged collateral.

Q Does the MERS eRegistry store eNotes?

A No. Each Rightsholder’s eVault (Controller, Master Servicer, Location, Secured Party) will store a secure copy of the eNote. The MERS eRegistry receives a copy of an eNote at initial registration in order to perform validation of the tamper-evident seal, and then it destroys that copy and does not retain it. **Important:** Only one copy can be the Authoritative Copy at any given time, and that is the copy held in the Location’s eVault.

Q Since the MERS eRegistry is the “System of Record” for participants that control eNotes, does MERS eRegistry handle the disbursement of closing funds?

A No. Closing funds are disbursed as they would be with the closing of a paper note.

Q How did the MERS eRegistry get started?

A Key players from all sectors of the mortgage industry (lenders, servicers, investors and vendors) came together under the auspices of the Mortgage Bankers Association to develop requirements for a National eNote Registry, which were published in 2003. After that, MERSCORP Holdings developed and launched the MERS eRegistry in 2004 based on these requirements.

The Mortgage Bankers Association sanctioned the creation of a single, national electronic note (eNote) registry system and key industry players have supported MERSCORP as the provider of the system.

Q What is the benefit of originating eNotes?

A Due to the lower costs of handling and greater access to information, loans represented by eNotes can be more valuable to investors than the equivalent loans using paper notes. Lenders can reduce costs with eNotes by streamlining the post-closing and certification process, eliminating transportation costs and reducing costs associated with lost, destroyed and missing paper notes.

Q If I want to originate eNotes, what do I need to do?

A There are two scenarios for originators of eNotes to interact with the MERS eRegistry – direct, or through a trading partner.

In the first scenario, you close loans with eNotes that contain the eNote clause and a Mortgage Identification Number (MIN), and register them on the MERS eRegistry.

This requires you, or your vendor, to have:

- Connectivity with the MERS eRegistry (via VPN)
- The ability to create the XML transactions required by the MERS eRegistry
- The ability to sign those transactions with a digital certificate

In the second scenario, you close loans on eNotes that contain the eNote clause and a MIN, and immediately sell them to an investor who will do the registrations for you. This is called a Broker/Delegatee relationship. MERSCORP will set up your profile (as the Broker) on the MERS eRegistry so that it allows another party (your Delegatee) to name you as the initial Controller and then do a Transfer of Control to itself.

Whichever scenario you choose, or role you play (lender, broker, investor) we will help you integrate and set up procedures and do any necessary transaction testing.

Q Does my current MERS Membership allow me to start this process?

A Yes, but you must also sign the MERS eRegistry Addendum. If you are not currently a MERS System Member, you must sign the MERS Membership agreement and the Addendum.

Q What does MERS charge for using the MERS eRegistry?

A There is no additional membership fee for signing the Addendum if you are already a MERS System Member. There are transaction fees. Please reference the MERS Pricing Schedule on our website for current pricing.

Q Does MERS eDelivery replace the need for an electronic document management system and an eVault?

A No. MERS eDelivery securely delivers documents in any electronic format (SMART Doc, PDF, TIFF, etc.). It does not validate or store electronic documents.

MERSCORP Holdings, Inc. supports industry standards

- **Mortgage Identification Number (MIN):** a unique 18-digit tracking number that is added to the security instrument and electronic promissory note at the time of origination
- **Organization ID number (Org ID):** a 7-digit number assigned by MERSCORP Holdings that uniquely identifies MERS System Members
- **MISMO XML data standards:** greatly reduce the time and effort required for business partners to create new data interfaces with each other
- **MISMO SMART Doc[®] specification:** an electronic document structure widely adopted by industry for eNotes

Now is your chance to experience true innovation in the mortgage industry. Get started today, before your customers demand it or regulators mandate it.





Innovation happens here.



More questions?

Visit the MERSCORP Holdings website at: mersinc.org/resources.

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