

## THE WAREHOUSE LENDER'S PERSPECTIVE

### BENEFITS OF IMPLEMENTING eNOTES

- Eliminates risk of lost notes.
- Improves control of collateral.
- Reduces exposure to double pledging.

### EXAMPLES OF THE PROCESS

Warehouse Lender may elect to be identified in the Controller or Secured Party field. The Secured Party may also elect to be identified in the Location field or have its custodian identified in the Location field, acting as the designated custodian for the Originator or may permit the Originator to remain in the Location field.

1. Borrower executes an eNote at the closing table.
2. Originator registers the eNote on the MERS® eRegistry.
3. Originator initiates Transfer of Control and Location to warehouse lender.
4. Upon sale of eNote to Investor, Warehouse Lender initiates Transfer of Control and Location to Investor.

### OR

1. Borrower executes an eNote at the closing table.
2. Originator registers the eNote on the MERS® eRegistry naming the warehouse lender in the Secured Party field.
3. Originator initiates appropriate Transfer to update the Rights Holder fields.
4. Secured Party must approve outgoing Transfers of Control and Location initiated by the Controller (or its Delegatee) in order for the transfer to be processed.
5. The Secured Party will be removed when a Transfer of Control is approved and processed or if the Secured

- party initiates a Release or Reversal of Secured Party transaction.
6. If needed, the Secured Party can initiate a Transfer of Control to another eRegistry Participant or themselves.

### ADDITIONAL SETUP CONSIDERATIONS

- MERS® eDelivery is used to receive and send copies of the eNote to trading partners.
- To utilize the Secured Party field and the Secured Party Delegatee field, Participants must establish and maintain MERS® System Profile Relationships.
- Participants named as a Secured Party can permit or restrict deactivations.
- Option: Replace Bailee Letter with a single tri-party agreement between Investor, Originator and Warehouse Lender
- Incorporate Requirements for Secured Party Field into Counterparty Agreements

### GET CONNECTED TO THE MERS® eREGISTRY

1. Contact your Regional Director to obtain the MERS® eRegistry Addendum. Complete the electronic form to sign the Addendum. We'll assign you an integration resource to get you started and work with you throughout the integration effort.
2. Select a vendor to provide your closing system and eVault (such as MERS® eNote Solutions) or develop your own system and establish connectivity to the MERS® eRegistry.

3. Complete a procedures document that describes how the business processes relate to transactions on the MERS® eRegistry.
4. Test MERS® eRegistry transactions.
5. Go live in production.

### INFORMATION YOU'LL NEED TO MOVE AHEAD

- Are your customers ready to close eNotes?
- Are your customers' investors ready to buy eNotes? Go to [mersinc.org/eRegistry](https://mersinc.org/eRegistry) to see a list of companies integrated with the MERS® eRegistry.
- Who is your eVault provider? Have you seen a demo of MERS® eNote Solutions?
- Will you use a Custodian and are they ready to support your eNote process?

For more information, complete the form located at [mersinc.org](https://mersinc.org)