



Process loans, not paperwork



E Records and E Signatures Seminar

*The MERS[®] eRegistry:
Paving the way for eNotes and eMortgages*

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Objective



- Provides ESIGN and UETA Section 16 “safe harbor” for investors to purchase eNotes
- Central registry to identify the current Controller and Location of the Authoritative Copy of the eNote

Paper World

Possession

Original Note (wet signature)

Investor

Custodian

Endorsement

Holder in due course

Servicer

Electronic World

Control

Authoritative Copy of eNote

Controller

Location (eVault)

Transfer of Control

Transferable Record Audit trail

Controller's Delegatee

- Strategic imperative for MERS
- Will be required by participating investors
- Logical extension of the MERS mission and expertise
- Potential additional revenue for MERS
- Endorsed by MBA



Key Assumptions Used in Development



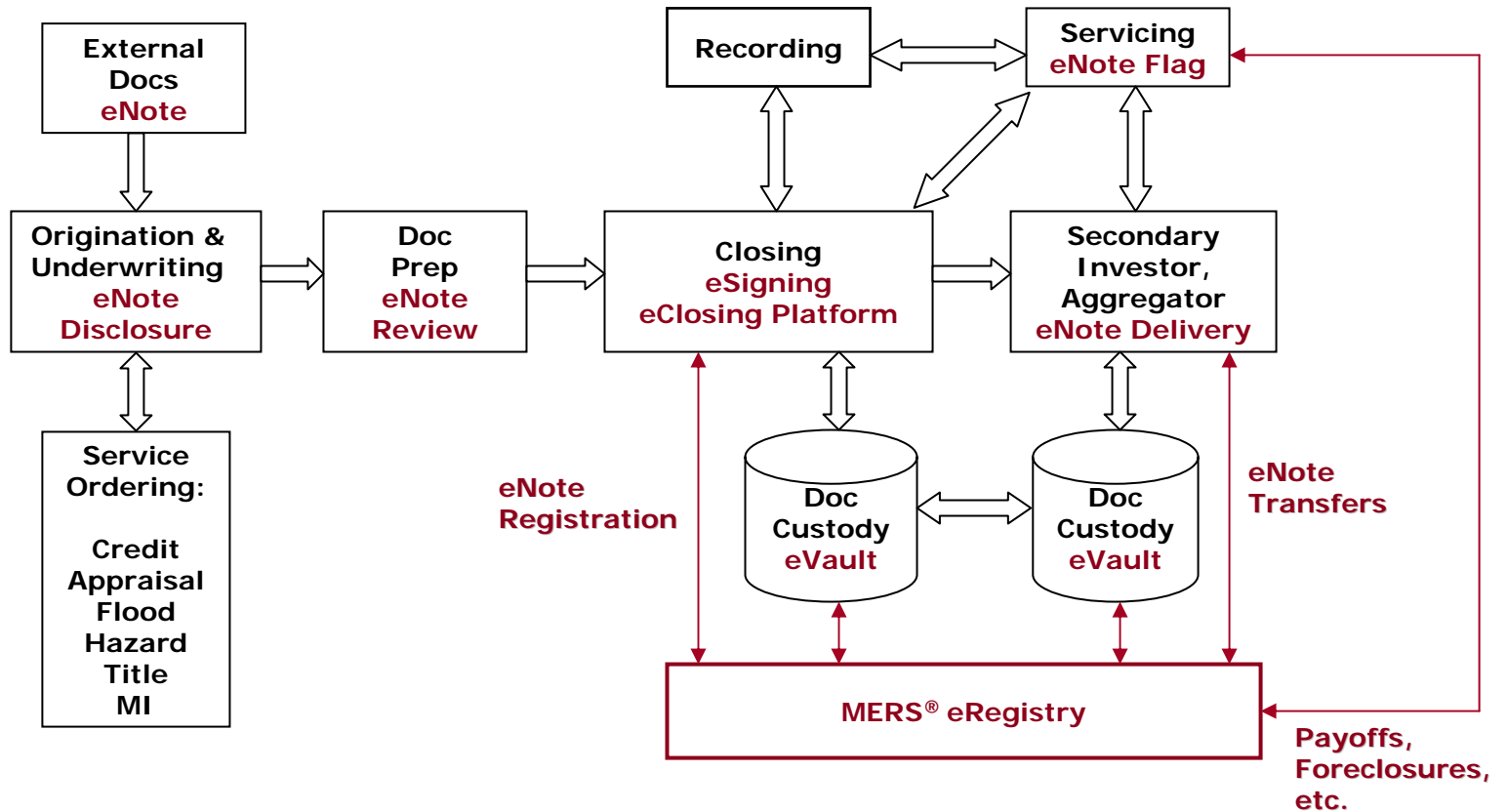
- Industry investors will require eNote registration
- eNote must refer specifically to the MERS[®] eRegistry
- Participants must be members of MERS
- Registry does not store eNotes
- Multiple eVaults will be created to store eNotes
- Funding of loans occurs outside the Registry

What's Different?



- Create an eNote in SMART Doc format
- Execute eNote with digital signatures
- Store eNote in compliant eVault
- Deliver eNote to investor
- Transfer eNote from one eVault to another
- Service eNote
- Interface with MERS[®] eRegistry to record these steps

eNotes in the Mortgage Process **MERS**



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Milestones



- MBA published high level business requirements Mar 03
- MERS announced intent to build registry Mar 03
- MERS published detailed business requirements Oct 03
- Development Advisory Team convenes Nov 03
- User Acceptance testing begins Mar 04
- Registry in production Apr 04
- 1st. Advantage Mortgage & DPS register first eNote Jul 04
- Member/vendor integration Ongoing

Primary Requirements



- Member Profile
 - MERS Org. ID Number is unique entity identifier
 - Member functionality tailored to role on Registry
 - Authentication and security routines

Primary Requirements



- eNote Registration
 - MERS MIN is unique loan identifier
 - eNote hash value enhances integrity
 - Cross referencing information (Borrower Name, SSN, Property Address)
 - Reversal transaction to correct invalid registrations
 - Location and Controller fields are required

Primary Requirements



- MIN Generation and Reservation
 - Validate and reserve third party generated MIN
 - Request MIN generation and reservation by MERS® System

- Transfer of Control
 - Validate transferor and transferee
 - MIN and Hash value comparison

Primary Requirements



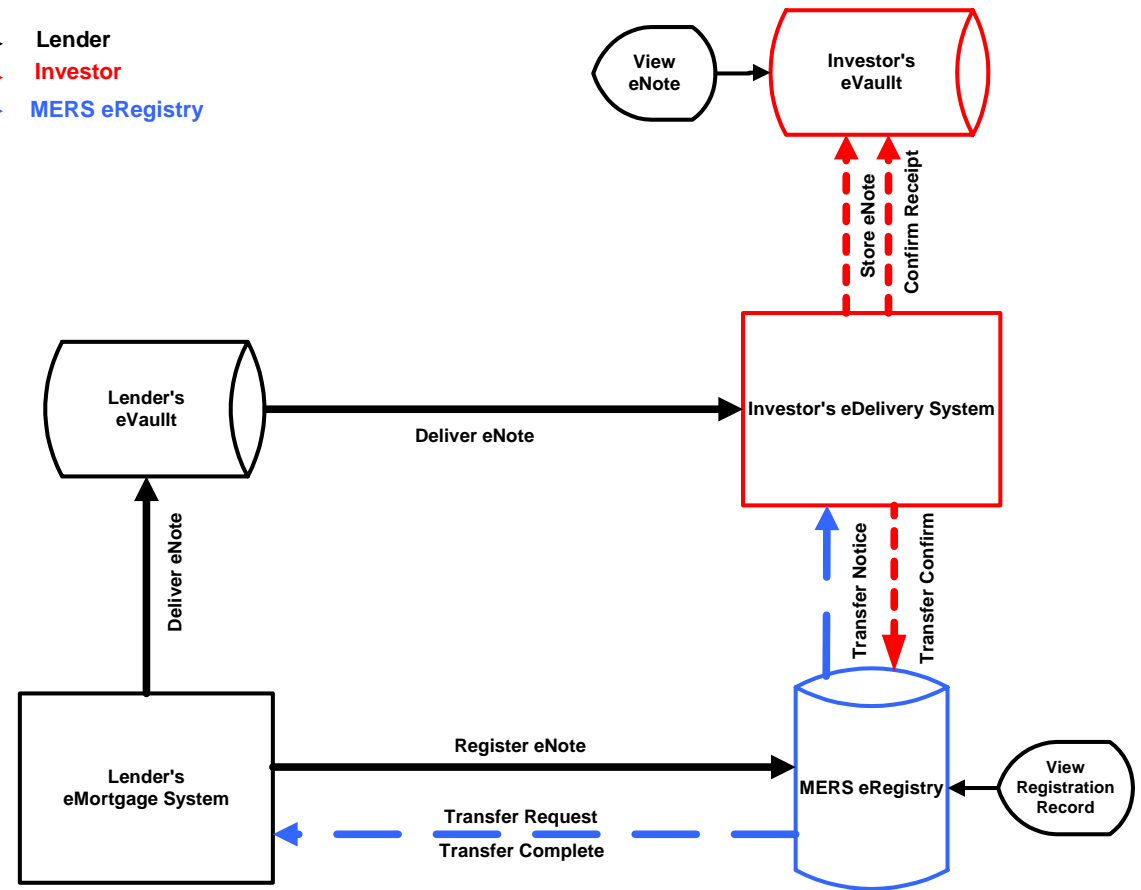
- Transfer of Location
 - Validate Controller, old Location and new Location
 - MIN and Hash value comparison
- Deactivations
 - Paid off
 - Charged off
 - Converted to Paper
 - Converted to Proprietary Registry

Process Flow



Legend:

- Lender
- - - - - Investor
- - - - - MERS eRegistry



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Implementation Considerations



- To originate and register loans on the MERS® eRegistry you must:
 - Close loans on eNotes (using MISMO standard SMART Documents) containing eRegistry language and a MIN
 - Connect to the eRegistry through a VPN or Frame Relay connection
 - Send XML transactions signed by a digital certificate provided to you from a SISAC-accredited issuing authority

Objectives

Identify key value propositions for eNotes

Confirm how eNotes impact current business process

Identify major costs and benefits for eNotes by stakeholder

Methodology

Interviewed eight major lenders

Reviewed standard business process flows

Confirmed eNote touch points

Reviewed proposed costs and benefits of eNotes

Modified flows, costs and benefits based on lender feedback

Identified major qualitative costs and benefits from all interviews

Develop quantitative costs and benefits for each stakeholder

Lenders will drive adoption because...

eNotes offer control of the borrower relationship and business process from application through closing using industry standard data and documents

The MERS[®] eRegistry offers control of the transfer, location and timing of delivery of the asset through the national system of record for eNotes

They view eNotes as a strategic investment leading to eMortgages

Questions?

MERS[®]



Download this presentation and more information about eNotes and the eNote Registry at www.mersinc.org. Click on the MERS[®] eRegistry tab.

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