

# Fannie Mae - Freddie Mac

## Real Property Laws

## Personal Property Laws

Promissory Note  
Certificateowners  
UCC Article 3

Security Instrument  
(Lien Perfection)

Collateral

Investment Vehicle  
Custodian  
Benefit of the Trust

Negotiation 3

Promissory Note  
Fannie/Freddie  
UCC Article 3

Security Instrument  
(Lien Perfection)

Collateral

Fannie Mae  
Freddie Mac  
Securitization

Negotiation 2

Promissory Note  
Fannie/Freddie  
UCC Article 3

Security Instrument  
(Lien Perfection)

Collateral

Fannie Mae  
Freddie Mac  
Purchaser

Negotiation 1

### Interest In Real Property

U.C.C. - Article 9 - Secured Transactions;  
Sales of Accounts and Chattel Paper  
Part 1. Short Title, Applicability and Definitions

§ 9-104. Transactions Excluded From Article  
This Article does not apply

(j) except to the extent that provision is made for fixtures in Section 9-313, to the creation or transfer of an interest in or lien on real estate, including a lease or rents thereunder - As amended in 1972

Paper  
Promissory Note  
Lender 1  
UCC Article 3

Security Instrument  
Perfection  
Lender 1  
Laws of Local  
Jurisdiction

(Excerpts)  
UNIFORM ELECTRONIC TRANSACTIONS ACT (1999)  
Drafted by the  
NATIONAL CONFERENCE OF COMMISSIONERS ON UNIFORM STATE LAWS  
and by it  
APPROVED AND RECOMMENDED FOR ENACTMENT IN ALL THE STATES  
at its  
ANNUAL CONFERENCE  
MEETING IN ITS ONE-HUNDRED-AND-EIGHTH YEAR  
IN DENVER, COLORADO  
JULY 23 – 30, 1999  
WITH PREFATORY NOTE AND COMMENTS  
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NATIONAL CONFERENCE OF COMMISSIONERS ON UNIFORM STATE LAWS  
SECTION 3. SCOPE

- (a) Except as otherwise provided in subsection (b), this [Act] applies to electronic records and electronic signatures relating to a transaction.
- (b) This [Act] does not apply to a transaction to the extent it is governed by:
- (1) a law governing the creation and execution of wills, codicils, or testamentary trusts;
  - (2) [The Uniform Commercial Code other than Sections 1-107 and 1-206, Article 2, and Article 2A];
  - (3) [the Uniform Computer Information Transactions Act]; and
  - (4) [other laws, if any, identified by State].

SECTION 16. TRANSFERABLE RECORDS

- (a) In this section, “transferable record” means an electronic record that:
- (1) would be a note under [Article 3 of the Uniform Commercial Code] or a document under [Article 7 of the Uniform Commercial Code] if the electronic record were in writing; and
  - (2) the issuer of the electronic record expressly has agreed is a transferable record.

### Comment

1. Paper negotiable instruments and documents are unique in the fact that a tangible token – a piece of paper – actually embodies intangible rights and obligations. The extreme difficulty of creating a unique electronic token which embodies the singular attributes of a paper negotiable document or instrument dictates that the rules relating to negotiable documents and instruments not be simply amended to allow the use of an electronic record for the requisite paper writing. However, the desirability of establishing rules by which business parties might be able to acquire some of the benefits of negotiability in an electronic environment is recognized by the inclusion of this section on Transferable Records.

This section provides legal support for the creation, transferability and enforceability of electronic note and document equivalents, as against the issuer/ obligor. The certainty created by the section provides the requisite incentive for industry to develop the systems and processes, which involve significant expenditures of time and resources, to enable the use of such electronic documents.....

2. The definition of transferable record is limited in two significant ways.

First, only the equivalent of paper promissory notes and paper documents of title can be created as transferable records. Notes and Documents of Title do not impact the broad systems that relate to the broader payments mechanisms related, for example, to checks. Impacting the check collection system by allowing for “electronic checks” has ramifications well beyond the ability of this Act to address.

Accordingly, this Act excludes from its scope transactions governed by UCC Articles 3 and 4. The limitation to promissory note equivalents in Section 16 is quite important in that regard because of the ability to deal with many enforcement issues by contract without affecting such systemic concerns.....

### Esign Act

#### TITLE 15 > CHAPTER 96 > SUBCHAPTER I > § 7003

§ 7003. Specific exceptions

- (a) Excepted requirements

The provisions of section 7001 of this title shall not apply to a contract or other record to the extent it is governed by—

- (1) a statute, regulation, or other rule of law governing the creation and execution of wills, codicils, or testamentary trusts;
- (2) a State statute, regulation, or other rule of law governing adoption, divorce, or other matters of family law; or
- (3) the Uniform Commercial Code, as in effect in any State, other than sections 1-107 and 1-206 and Articles 2 and 2A.