

eNotes
Speed. Security. Efficiency.
The future of mortgage lending.



eNotes complete eMortgages.

www.mersinc.org

What is the MERS® eRegistry?

The MERS® eRegistry is the system of record that identifies who is in control of the eNote. It points to the Location of the authoritative copy of the eNote, stored by a custodian in a secure electronic vault.

The MERS® eRegistry is essential in the eMortgage world. Today, dozens of lenders are closing eNotes and the transfers of the eNotes in the secondary market are reflected on the MERS® eRegistry – more than 300,000 eNotes have been registered.

The MERS® eRegistry was designed to comply with the safe harbor provisions of the Electronic Signatures in Global and National Commerce Act (“ESIGN”) enacted into federal law and the Uniform Electronic Transaction Act (UETA) that has been adopted into law by every state (except IL, NY and WA), the District of Columbia and the Virgin Islands. ESIGN remains as the controlling law in those states and territories where UETA has not been adopted.

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.

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 a lender
- Confirms the registration is complete
- Prevents duplicate registrations
- Sends a confirmation to a lender
- Stores key information to readily identify the loan

What is MERS® eDelivery?

MERS® eDelivery provides a secure method for distributing eMortgage packages from one MERS® eRegistry user to another, using the existing MERS® eRegistry infrastructure and transaction security requirements.

Users can leverage MERS® eRegistry to send and receive electronic documents with any other user, at minimal cost. MERS® eDelivery only delivers the packages; it does not open or access the packages in any way.

WHAT DOES MERS® eDELIVERY DO?

When a MERS® eRegistry user transfers 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



What does MERS® eRegistry do for you?

LENDERS

- Streamlines the closing experience
- Strengthens collateral security

SETTLEMENT AGENTS

- Improves quality control and productivity
- Mitigates document fraud

WAREHOUSE LENDERS

- Improves control of collateral
- Reduces exposure to double-pledging

DOCUMENT CUSTODIANS

- Provides for more efficient and accurate note custodian processes
- Allows for automated note certification

SERVICERS

- Assists in automating post-closing audit of eNote servicing data
- Eliminates lost notes

INVESTORS

- Enables faster and more efficient delivery to the secondary market
- Improves quality control and assists in fraud detection
- Enhances liquidity

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 online and even pay bills online. Mortgage industry players have already launched an e-Closing pilot program. These e-commerce innovations save time and money for all parties.

The traditional mortgage process is lagging behind. There is still a mortgage, a note and stacks of disclosures at the closing table, lots of papers to sign and tape flags to designate where a signature is needed. It doesn't have to be this way ... eNotes help transform the paper-intensive closing of a mortgage loan into a digital transaction.

WHAT ARE THE BENEFITS OF AN eNOTE?

- Shortens time at the closing table and improves quality control.
- Saves money by eliminating the cost 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.

MERSCORP Holdings, Inc. supports industry standards

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

Now is your chance to experience new world innovation in the mortgage industry – get started now – before your customers demand it or regulators mandate it.

Introducing the role of MERS® eRegistry

Borrower eSigns an eNote at closing. The eNote contains both the MIN and language referencing the use of the MERS® eRegistry.

1 Immediately after closing, a lender registers the eNote on the MERS® eRegistry. The registration record shows the lender as the Controller (Owner) and the Location (Custodian) of the eNote, and Servicer (if applicable).

2 When the eNote is sold or transferred, a lender initiates a transfer of control transaction to the new owner.

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.

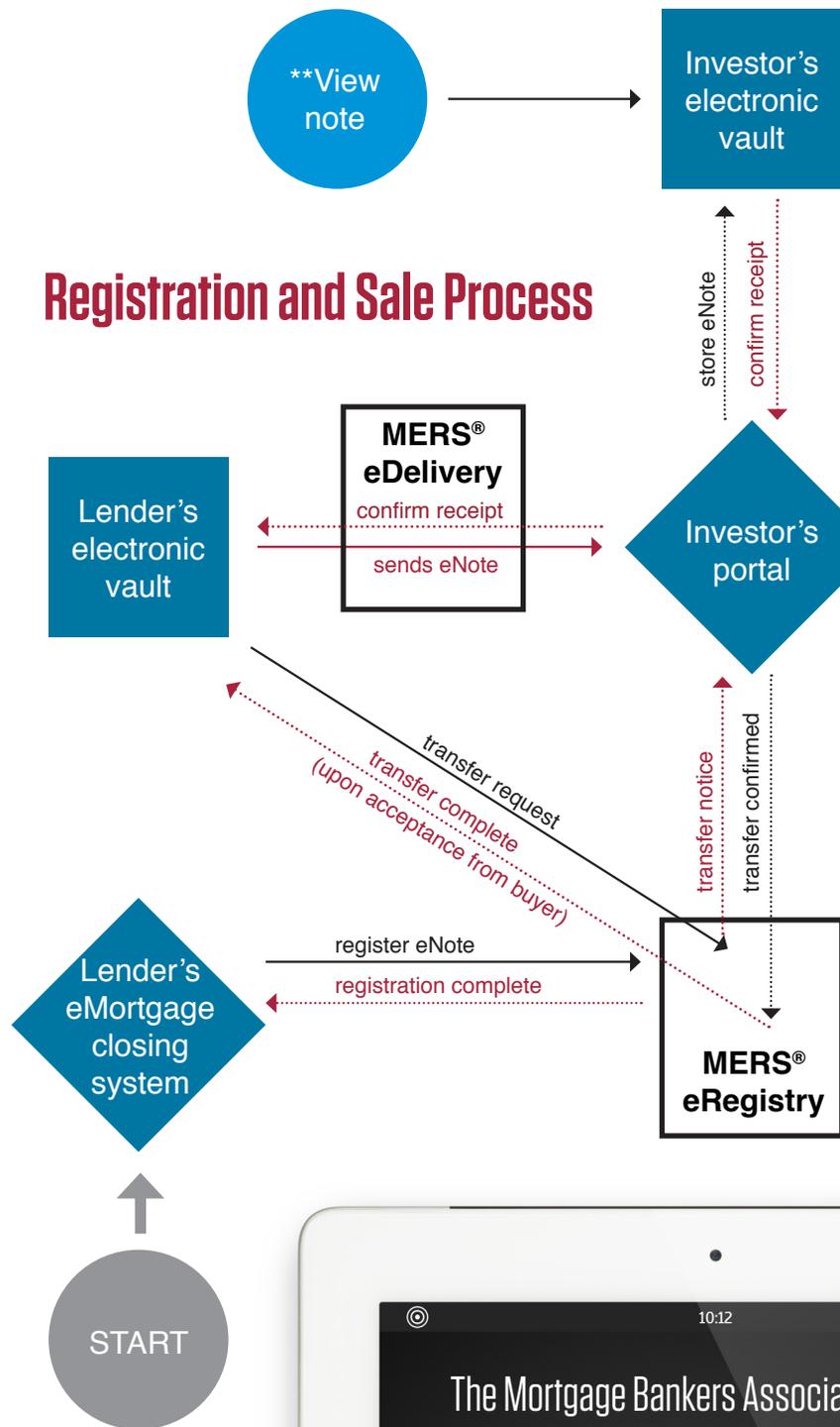
The largest investors require the use of MERS® eDelivery (secure electronic transfer) in this process.

3 The new investor confirms the transfer request(s). The MERS® eRegistry record is automatically updated to show the investor as the Controller (and Location, if applicable).

4 The current Controller, or its Servicer, 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.

* The rights holder has the ability to view the registration record on the MERS® eRegistry
 **Users of the eVault where the eNote is stored can view the eNote



The Mortgage Bankers Association endorsed the creation of a single eNote registry and supported MERS Holdings as its provider.

The GSE Uniform Electronic Promissory Note requires MERS® eRegistry as a condition for purchase of eNotes as a condition for purchase.

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 (electronic vault)
Endorsement	Transfer of Control
Chain of Endorsements and Delivery	Transferable Record Audit Trail
Wet Signature	Electronic Signature

MERSCORP Holdings, Inc. Support

Business Integration Managers: Assist MERS® System Members in integrating MERS® eRegistry in their business and technical environment.

Website (<https://members.mersinc.org>): Convenient online source for everything MERS®.

User Conference: Annual conference for new and experienced MERS® System Members and MERS® eRegistry users that provides educational information on legal, regulatory and system enhancement topics.

Help Desk: Answers systems, procedural and technical questions for active MERS® System Members.

Regional Sales Directors: Available nationwide for on-site sales and visits for MERS® System Members and their clients.

*View
registration
record

Call us today to talk about resources, education and information
to help you get started with eNotes!

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MERS® eRegistry FAQs

Q. What is the MERS® eRegistry?

A. It is the system of record that identifies the current Controller (Holder) and Location (Custodian) of the Authoritative Copy of an eNote. The Controller of an eNote has the equivalent rights as that of a "Holder in Due Course" of a paper negotiable promissory note.

The concept of a national eNote registry was the industry's response to the requirements imposed by the Uniform Electronic Transactions Act (UETA) and the federal Electronic Signatures in Global and National Commerce Act (ESIGN). It evolved from the need to track and identify electronic promissory notes (or eNotes) for electronic mortgage loans.

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

A. Yes. The GSE Uniform Electronic Promissory Note requires the use of the MERS® eRegistry for eNotes that they purchase. Furthermore, they also require the use of MERS® eDelivery for transferring eNotes.

Q. Does the MERS® eRegistry store eNotes?

A. No. Organizations that are in the business of providing eVaulting services store eNotes on behalf of the investor.

Q. Since the MERS® eRegistry is the "system of record" of ownership for eNotes, does MERS® eRegistry control 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. Following the enactment of ESIGN and UETA, 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 launched the MERS® eRegistry in 2004 based on these requirements, which included compliance with the safe harbor provisions of ESIGN and UETA.

The Mortgage Bankers Association, the American Land Title Association and Freddie Mac and Fannie Mae sanctioned the creation of a single, national electronic note (eNote) registry system and key industry players have supported MERSCORP Holdings as the provider of the system.

Q. Why eNotes? What is the benefit?

A. A Promissory Note in electronic form and registered with the MERS® eRegistry is eligible for sale to all investors with membership in the MERS® eRegistry. Due to the lower costs of handling and more efficient use of capital, loans documented by eNotes can be more valuable than the equivalent loans documented by paper notes.

Lenders can also 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, one is direct, and the other is through a trading partner.

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

This requires you, or your vendor, to have:

- connectivity with us (a 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 MERS® eRegistry language 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 Holdings 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 (Holder) 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 your process with MERSCORP Holdings to set up procedures and do any necessary transaction testing.

Q. Does my current MERS® System 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 Membership agreement and the Addendum.

Q. What does MERSCORP Holdings charge for using the MERS® eRegistry?

A. While there are no additional membership fees for MERS® System Members, there are transaction fees. Please reference the MERSCORP Holdings Pricing Schedule 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 (SmartDoc, PDF, TIFF, etc.). It does not validate or store electronic documents.

Q. Where do I get more information?

A. Call the MERSCORP Holdings Customer Division at (800) 646-6377 or visit <https://members.mersinc.org>.





Addendum to MERS® System Membership Agreement

ORG ID#:

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1. The MERS® eRegistry is a registry system evidencing the transfer of interests in eNotes (transferable records) that are intended to satisfy the safe harbor provisions of Section 16 (c) of the Uniform Electronic Transaction Act (“UETA”) and Section 201 (c) of the Electronic Signatures in Global and National Commerce Act (“ESIGN”). The MERS® eRegistry is owned and operated by MERSCORP Holdings, Inc. (the “Company”).
2. Each Member that accesses, uses, and/or integrates with the MERS® eRegistry shall execute this Addendum by an authorized officer of the Member, and in doing so, agrees to be bound by the terms and conditions set forth in this Addendum, and such other MERS® System Rules of Membership (the “Rules”) and applicable MERS® eRegistry Procedures that govern the access and use of, or the integration with, the MERS® eRegistry.
3. Upon execution, this Addendum shall be incorporated into the Rules to which each Member agrees to comply with upon executing a MERS® Membership Application or Agreement. References to the “MERS® System” in Rules 5, 6, 7, 9, 10, 11, 12, and 13 shall be deemed to incorporate the “MERS® eRegistry.” Terms not otherwise defined herein shall be as defined in the Rules. References to “transfer of servicing” or “servicing” in Rule 5, Section 1 shall be deemed to incorporate “Transfer of Control” or “Control” as defined in the MERS® eRegistry Procedures.
4. The only instruments that can be registered on the MERS® eRegistry are eNotes (transferable records) as defined in UETA and ESIGN. Member Investors (i.e., persons to which transferable records are issued or transferred) will determine the acceptable conditions of sale and the form and format of transferable records; provided, however, that each transferable record registered on the MERS® eRegistry must include a valid mortgage identification number (“MIN”) and a reference that the MERS® eRegistry is the definitive source for information as to the current Member Investor. The Company should not be deemed to have a beneficial interest in any transferable record registered on the MERS® eRegistry, and the Company expressly disclaims any such interest.
5. The MERS® eRegistry Procedures define: (a) the format and rules under which MINs are generated to ensure non-duplication and consistency, and (b) the requirements for registration and transfers of electronic records, electronic messages and interfaces between Members, system security, record retention, and audit logs.
6. Upon written request to the Company, a Member who is the current Member Investor for an electronic record will be provided with a certificate of that status that the Member can provide to third parties as proof of their ownership of the electronic record.
7. Members will have access to the software code used to operate the MERS® eRegistry if, and only if, a court of competent jurisdiction makes a final determination that the Company has materially breached its obligations to operate the MERS® eRegistry.
8. Payment of funds in conjunction with the transfer of an electronic record registered on the MERS® eRegistry is subject to the arrangements and agreements of the Member Investors, and is not part of the operations of the MERS® eRegistry.
9. By submitting a loan registration or a transaction to the MERS® eRegistry, the Member represents and warrants to the Company that, at the time of the submission:
 - a. The Member has all requisite corporate power and authority, with all necessary consents, approvals, authorizations, orders, registrations, qualifications, licenses, and permits of and from all public, regulatory or governmental agencies and bodies, to register loans and execute transactions on the MERS® eRegistry.

- b. The registration of loans and execution of transactions on the MERS® eRegistry are legal, valid, and binding on and enforceable against the Member.
 - c. The officers, employees, and agents of the Member registering loans and executing transactions on the MERS® eRegistry were duly authorized and acting within the scope of their authority.
 - d. The information and data submitted by the Member to the MERS® eRegistry in conjunction with the registration of loans and execution of transactions is true and correct.
 - e. The Company and any other user of the MERS® eRegistry are entitled to rely on the information and data (including any digital certificates or other authentication procedures) submitted to the MERS® eRegistry by the Member.
 - f. There are no legal or governmental proceedings pending or threatened to which the Member is a party that would affect the ability or power of the Member to register loans and execute transactions on the MERS® eRegistry.
10. The Company shall notify in writing all Members of any proposed changes to this Addendum, and shall provide a copy of such proposed changes to all Members no fewer than ninety (90) days prior to the proposed implementation date of such changes. Members may submit comments to the Company for its consideration with respect to any such proposal, and such comments shall be reviewed by the Company, and filed with the records kept by the Company. Notwithstanding the receipt of any such comments, the Board of Directors of the Company, in its sole discretion, shall have the right to amend or add to this Addendum, or repeal any part thereof, after the expiration of such 90-day comment period, so long as such amendment is not contrary to the Company's Certificate of Incorporation. Each Member shall be bound by any amendment to the Addendum with respect to any transaction occurring subsequent to the time such amendment takes effect as fully as though such amendment were now a part of the Addendum; provided, however, that no such amendment shall affect the Member's right to withdraw its membership from the MERS® eRegistry in accordance with the procedures set forth in the Rules before such amendment or change becomes effective.

_____ *Member Name*

By: _____
Authorized Officer

OrgID # _____