

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. More lenders are closing eNotes and the transfers of the eNotes in the secondary market are reflected 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 transferrable record (“eNote”). 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). Each Participant is responsible for determining that all the functions, including the MERS® eRegistry as set forth herein, utilized by the Participant and its service provider(s) constitute a system that satisfies the Control requirements of Section 201(c) of the E-SIGN Act and Section 16(c) of the UETA. 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 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 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 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

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.

A national eNote registry is part of the industry’s response to develop systems that can rely upon the Uniform Electronic Transactions Act (UETA) and the federal Electronic Signatures in Global and National Commerce Act (E-SIGN) to establish legal effectiveness of electronic notes for mortgage loans.

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

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

Q. Does the MERS® eRegistry store eNotes?

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

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. Why eNotes? What is the benefit?

A. A promissory note in electronic form that complies with an investor’s requirements and registered with the MERS® eRegistry is eligible for sale to any User that complies with investor’s requirements in the MERS® eRegistry. 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 (SmartDoc, PDF, TIFF, etc.). It does not validate or store electronic documents.

eNotes

CONVENIENT.
TRUSTED.
SEAMLESS.

MERS®
eRegistry

mersinc.org

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

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 the risk of lost notes

INVESTORS

- Enables faster and more efficient delivery to the secondary market
- Improves quality control and assists in fraud detection
- Eliminates 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. There are still stacks of paper at the closing table, lots of documents to sign and tape flags to designate where a signature is needed. This is changing. eNotes are helping 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 today – 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 Servicing Agent (if applicable).

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.

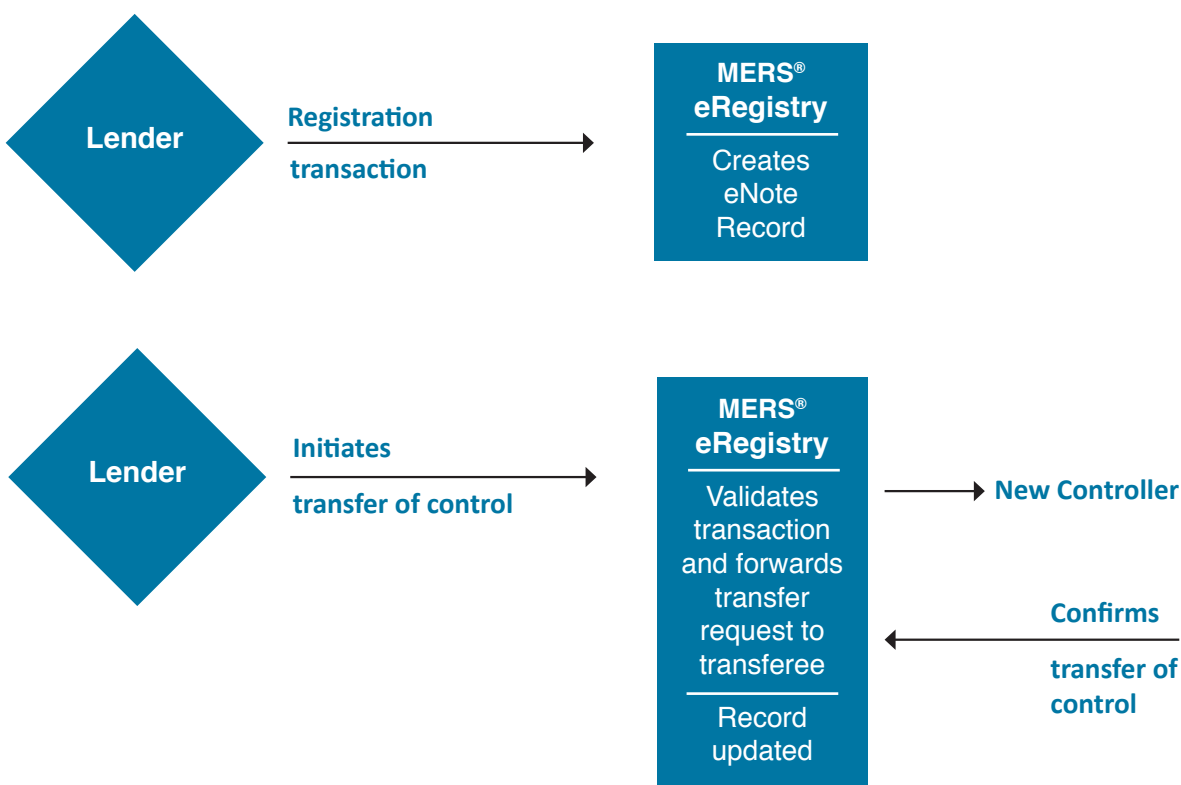
The largest investors require the use of MERS® eDelivery (secure electronic transfer) in this process.

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 about how to implement eMortgages (To learn more, visit mersinc.org/resources)
3. Communicate with trading partners to assess their readiness
4. Engage with technology vendors
5. Revise your internal processes to accommodate new technologies and efficiencies

