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INFINITE HORIZONS

MBA'S NATIONAL TECHNOLOGY in
MORTGAGE BANKING Conference & Expo

eMortgage Technology Update

Technology Implementation Track

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MERS® eRegistry Update

What is MERS?

MERS is the industry utility created by mortgage bankers to promote electronic commerce and eliminate paper-based processes.

- » MERS eliminates the need to prepare and record paper assignments when selling loans between MERS[®] Ready members.
- » MERS operates the MERS[®] eRegistry to provide liquidity for electronic notes.

What is the MERS® eRegistry?



- The “National eNote Registry”
- The industry’s response to the e-document requirements imposed by UETA and ESIGN
- The central location to identify the current Controller (holder) and Location (custodian) of the Authoritative Copy of an eNote
- Not an e-Vault or eCustodian



- Standardized delivery of electronic documents from one member to another
- Members use existing interface to MERS – eliminate multiple B2B custom interfaces
- Reuses MERS and MISMO standards of the MERS® eRegistry
- Required by Fannie Mae for delivery of eNotes

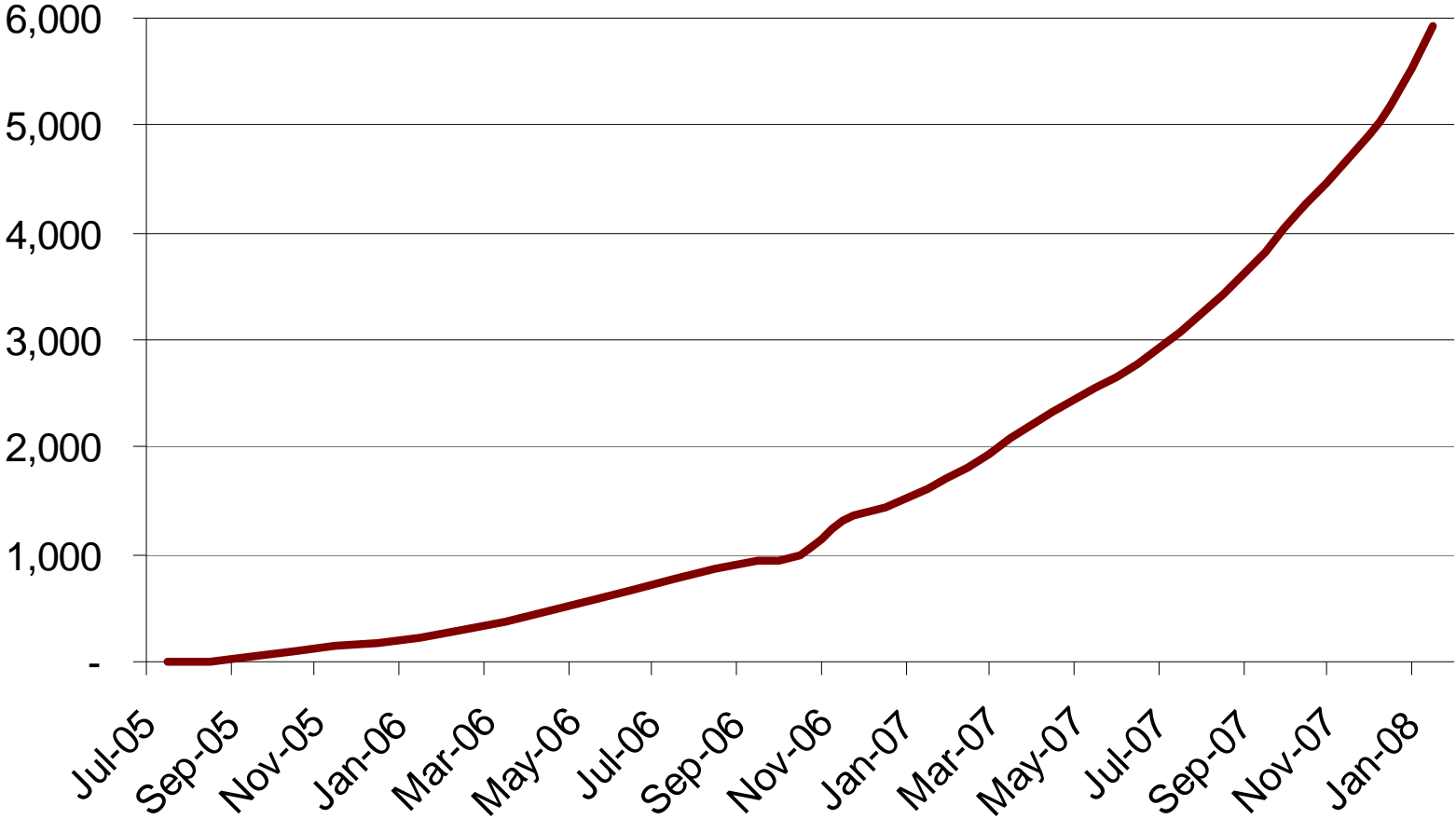
Warehouse Lending

- Warehouse lenders must be members of MERS and be connected to the MERS® eRegistry
- The “Line of Business” field on the MERS Member Profile identifies this type of member as “Warehouse lender” instead of “Investor”
- Warehouse lenders must be “Controller” on the MERS® eRegistry to perfect their security interest in an eNote
- A form of agreement among the lender, MERS and the warehouse lender has been created, similar to the Electronic Tracking Agreement used with the original MERS® System
- Specific language and process have been implemented by some lenders that substitutes for bailee letters and agreements

MERS® eRegistry Registrations



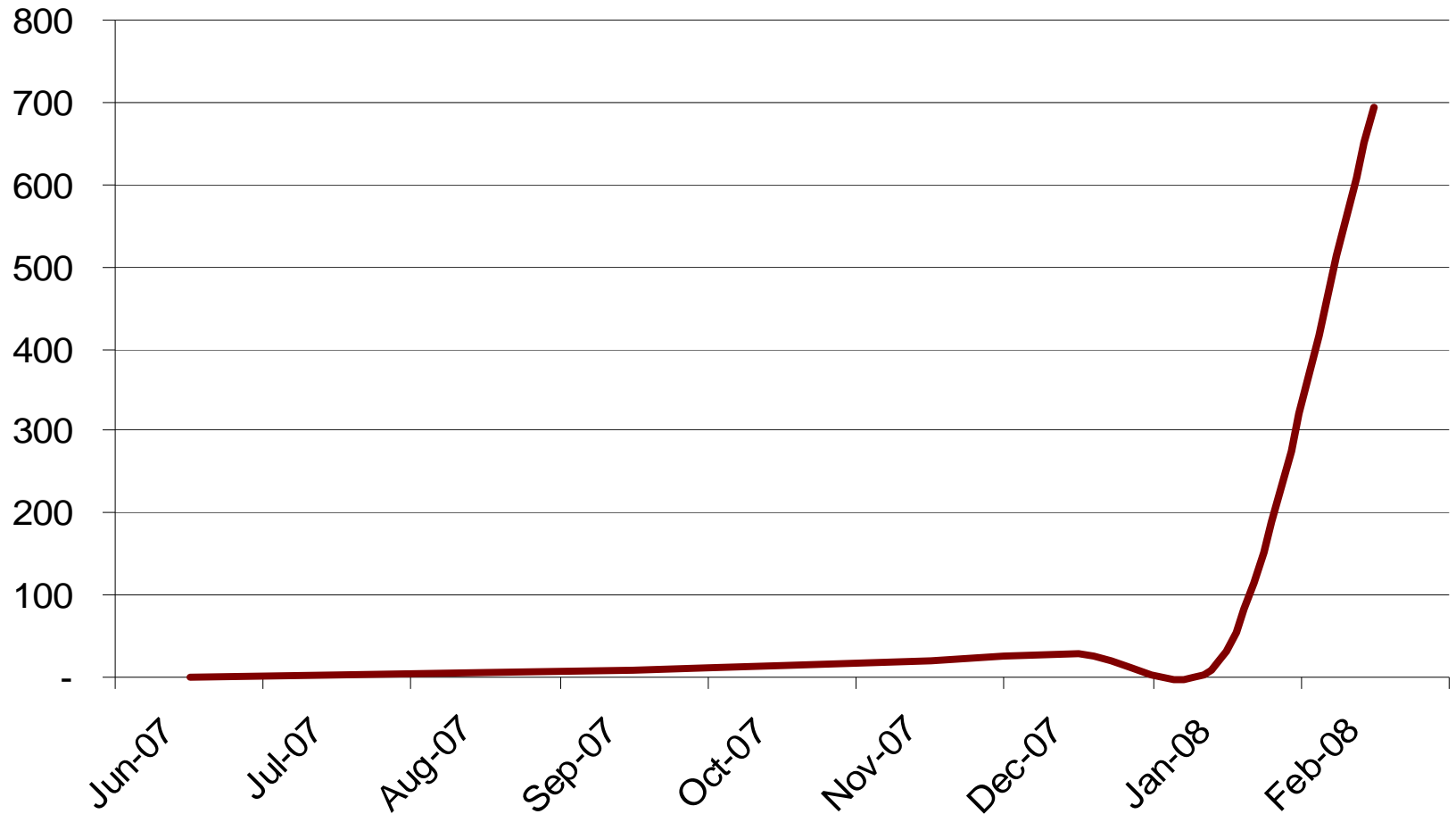
Total 6,580



MERS® eDelivery Activity



Total 695



Lender / Investor Status



Live on MERS® eRegistry:

Fannie Mae
GMAC (as servicer and e-Vault)
Freddie Mac (Pilot)
Greenlight Mortgage (Pilot)
First Houston Mortgage, Ltd
Boeing Employee Credit Union
Century Bank
Over 1100 brokers

AmTrust
1st Advantage Mortgage, LLC
Wells Fargo (Pilot)
First Collateral (Pilot)
American First Credit Union
Navy Federal Credit Union (Servicer)
Flagstar



Live on MERS® eRegistry:

Fiserv

Encomia

Settleware

Digital Docs

Document Processing Systems

- Hybrid loans: eNotes plus paper closing docs
 - » Custodians must manage paper documents and electronic documents for the same loan
- Hybrid pools: eNotes and paper Notes
 - » eNotes generally identified by Special Feature Code

- SISAC
 - » Secure Identity Services Accreditation Corp
 - » *Common baseline standards for digital (PKI) certificates*
 - » www.sisac.org
- SPeRS
 - » Standards and Procedures for electronic Records and Signatures
 - » *Legal guidance for eClosing and related systems*
 - » www.spers.org
- MISMO
 - » Mortgage industry standards for XML transactions, eMortgages
 - » www.mismo.org
- PRIA
 - » Property Records Industry Association
 - » *eRecording and eNotarization data standards*
 - » www.pria.us
- MERS
 - » MERSCorp, Inc.
 - » Registry for eNotes and mortgage industry utility
 - » www.mersinc.org

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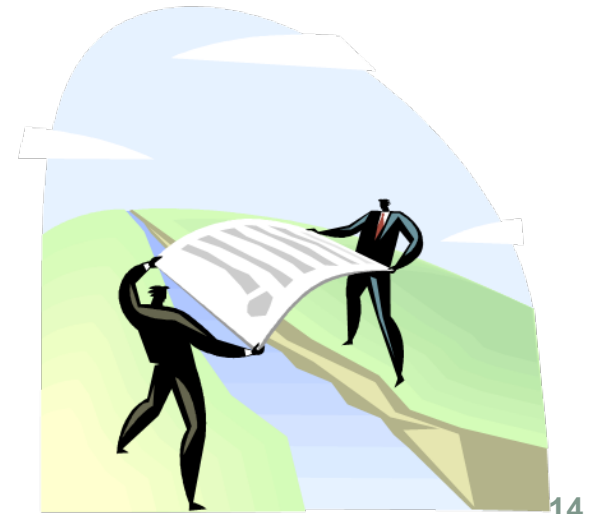
eMortgage Workgroup updates and Initiatives

Patrick Hartford

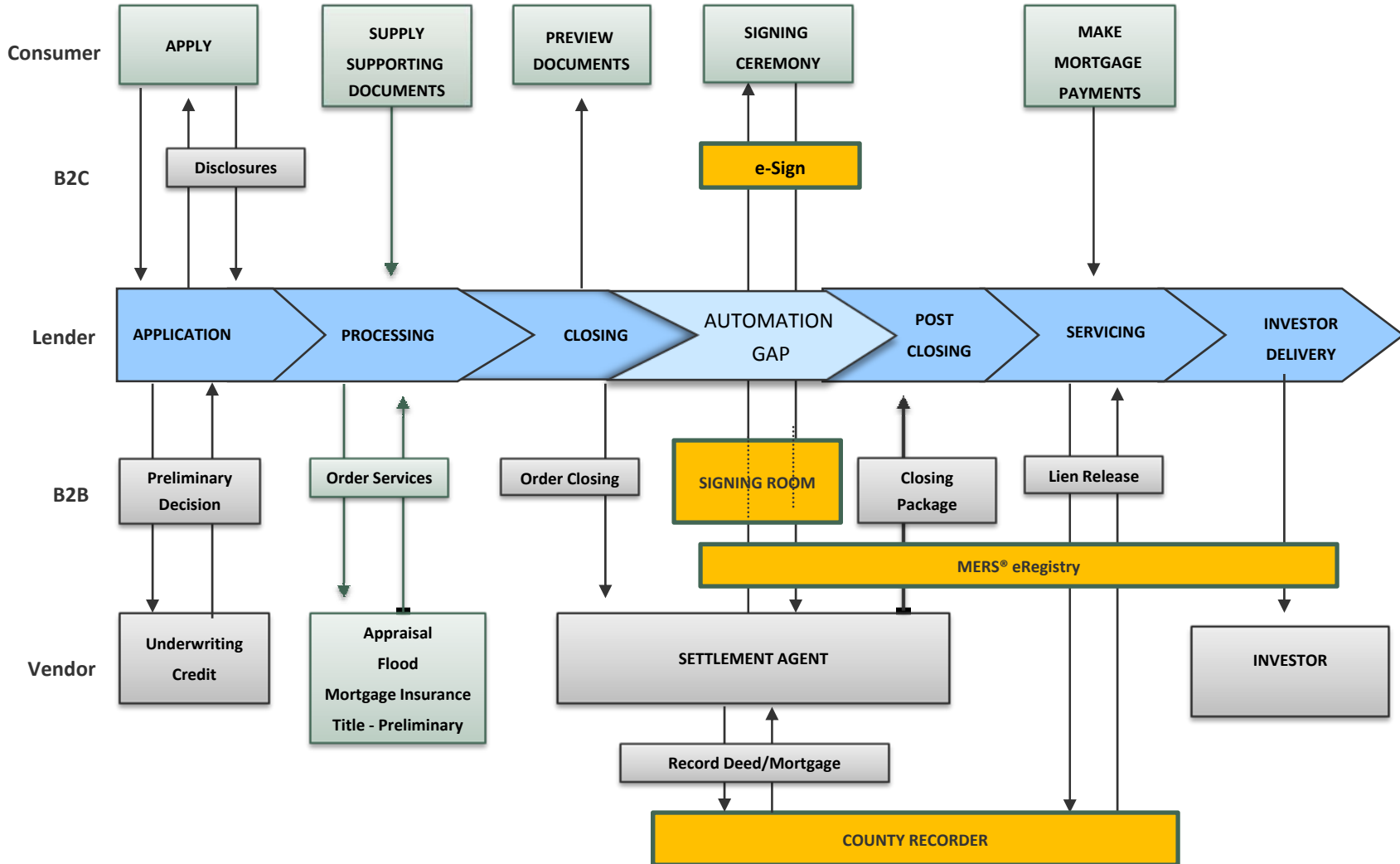
Director, eMortgage Standards



- The eMortgage map
- eMortgage workgroup is closing the gap
 - » Schema based SMART Document 1.1
 - » SMART Document 3.0
 - » Open source tools
 - » Technical guidance for eRecording
 - » Printing eSigned documents for recording
- Summary



Focusing on gaps in the eMortgage Process



- Allows for other MISMO workgroups to use SMART Docs
 - » Allow the workgroup to create their own
- Schema instead of DTD
 - » Not using all benefits of schema
- Uses Namespaces to define which data set
- Uses XHTML Schema and XML DSIG schema



- Jumped to version 3.0
- Completely different approach
- Use MISMO V3 architecture
- Schema instead of DTD
- Leverage existing MISMO standards



- eNotes are not considered in this for the first phase
 - » MERS eRegistry CAN register 3.0 eNotes
- Recordable documents and HUD-1 is the focus
- **We are going to break backward compatibility**
- Can use any dataset or version of MISMO
- Add more information without breaking signatures



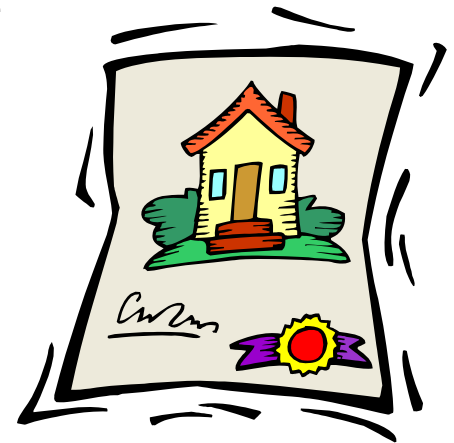
- Compound document format
 - » Think .ZIP file
 - » Lots of different files included in one “package”
 - » Can have folders inside
- Allows for appending data / updating
 - » Add information without breaking the tamper seal
- Uses common file types
 - » PDF, HTML, Word etc.
- Can use existing standards
 - » XML Signature, XHTML, XOP/MTOM



- Licensing for open source
 - » Proposing Apache based license
 - » Google code site created
- Challenges
- Show some real implementations
 - » SMART Doc 3 and eMortgage package
- Java and C# examples
- Volunteers are waiting!



- Background
 - » Current Models
 - » MISMO and PRIA working together
- Electronic recordation is happening
 - » Model 1 and 2 heavily used
- Give lenders / vendors / counties guidance
- Assisting in model 3
 - » Truly electronic documents



- Giving guidance on different document formats
 - » PDF, Word, SMART Document 3.0
- How to extract the images from the documents
- How to add the book and page numbers
- How to extract the data from the document
- What options can be sent back to the lender



- Printing eSigned recordable documents
 - » Contains the notary seal and credentials
- Many groups working together at the state level
 - » MISMO, PRIA, Notary associations, and lenders
- Counties without eSign capabilities can benefit
 - » Makes it easier to work at the state level
- Same document format across entire states
 - » Printed or eSigned!
- Legal challenges



- The automation gap is closing!
- SMART Document 3.0 on the horizon
- Open source will help with adoption
- Recording truly electronic documents getting some guidance
- Printing eSigned documents is a quick win



Thank you!

Questions?

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eMortgage Adoption

Why Aren't There More eClosed Loans?

Bob King

- 28 years experience mostly with Financial Services Companies
- Working with and on teams to build software
- Spent last 5½ years at Wells Fargo
 - First as technical architect for post closing
 - Focused on electronic closing over the past three years as program manager
 - Departed from Wells at the end of January 2008

- To provide my opinion on why we haven't seen more electronic closings.

I do not represent Wells Fargo nor is this presentation indicative of any official Wells Fargo policy. I am speaking in general terms about what I observed and learned in this part of the mortgage industry.

- State of “readiness” since 2004
 - Legislation
 - Standards
 - Investor support
 - MERS eRegistry

- Substantial benefits
 - Consumers
 - Lenders
 - Title and Closing agents

...but, with all this, still limited adoption.

Borrowers can effectively sign an electronic document from which we can safely, securely and cost effectively automate processing.

Key Questions

- What documents provide highest value?
- What processing provides the highest value?
- What scale is required to harvest benefits?
- Is there a migration path?

- Investment hurdle to harvest full spectrum of benefits is high
 - Infrastructure and applications to support must to be developed
 - Many pieces are new
 - Substantial investment required
- Multiple parties to the transaction with competing interests
 - Focus on common interests?
 - Standards need to be completed and implemented

- Paper based processing to image-enabled workflow
- Manual 'stare and compare' to automated processing based on lifting of key data
- Limited data lifting to use of SMART Docs to more fully automate processing

- Borrower, Settlement Agent, Lender, County Recorder, Investor, Ultimate Investor and Vendors
- Varying degrees of maturity in standards
 - Electronic Packaging
 - SMART Doc® eNote
 - SMART Doc 3.0 (coupled with MISMO 3.0)
 - EMCIT (Electronic Mortgage Closing Interface Transactions)

- Making full transition to eMortgages difficult and costly and justified in the end
- Progress is evident
- Be patient and look for advantageous applications
- Actively participate in MISMO to set the emerging standards

Thank you!



Bob King

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