

An American Dream?

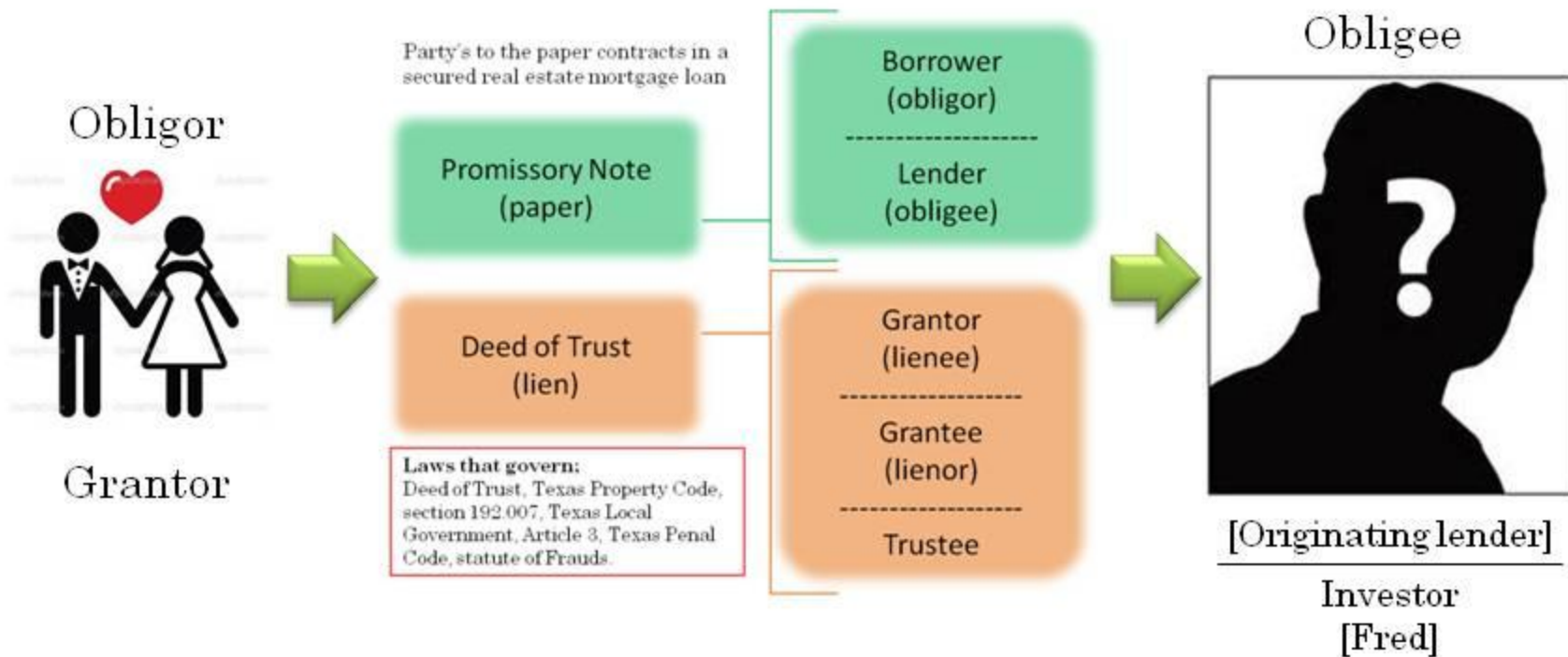
Step 1



Mortgage Loan Origination

An American Dream?

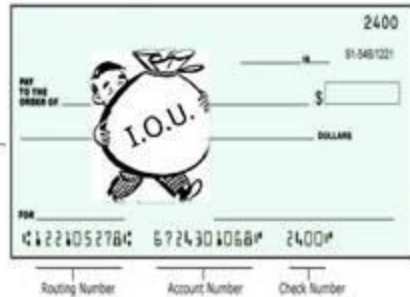
Step 1



Mortgage Loan Origination

The monthly payment stream

Obligor



Monthly payment

Servicer



[Fred]
Obligee
[Investor]

Hint: The one receiving
the monthly payments

Making payments for the tangible obligation



Step 1a



Hello, Bob? This is Fred. I have some borrower's who want to get a home loan. Can you help me out with the funding?



Sure Fred, I can help you out, I've got lots of money. Here is what I can do. You give me something of value to hold until you re-pay me, then you can have it back. If that is agreed, I will loan the monies to you for your borrowers.



Creating the intangible obligation

Step 1a



Bob, here is what I can do. There is a new fangled law that that allows us to contract between each other electronically.



Sure Fred, I've heard about that law too, many insurance companies use it because the electronic contracts can be enforced just like a paper contract.



Creating the intangible obligation

Step 1a



Bob, I can provide a security agreement listing the collateral, which will be the borrowers promissory Note.



Sure Fred, I've heard that since you are holding the paper Note and the deed of trust in a safe place, you might be able to use the "electronic chattel paper" section that was added to the revised version of Article 9.



Creating the intangible obligation

Step 1a

Bob, I recorded the borrowers deed of trust that was provided to secure the borrowers promissory Note.

Good Fred, since you are secured lender of record holding the paper Note and the deed of trust in a safe place, you might be able to scan the borrower's mortgage paper loan and use eSign and UETA to conduct our eCommerce Transaction.



Creating the intangible obligation

Step 1a

Bob, how do I get the proof of the borrower's promissory Note and deed of trust to you? Do I mail it?

Fred, again, I've heard that since you are secured lender holding the paper Note and the deed of trust in a safe place, you can scan the borrower's mortgage loan, then use eSign and UETA to conduct our eCommerce Transaction. Scan the stuff.



Creating the intangible obligation

Step 1a

Jim, I need to get the proof of the borrower's promissory Note and deed of trust to Bob. I need your department to scan the borrower's mortgage loan.

Right away Mr. Fred.



Creating the intangible obligation

Step "x"

From paper to electronic



From this

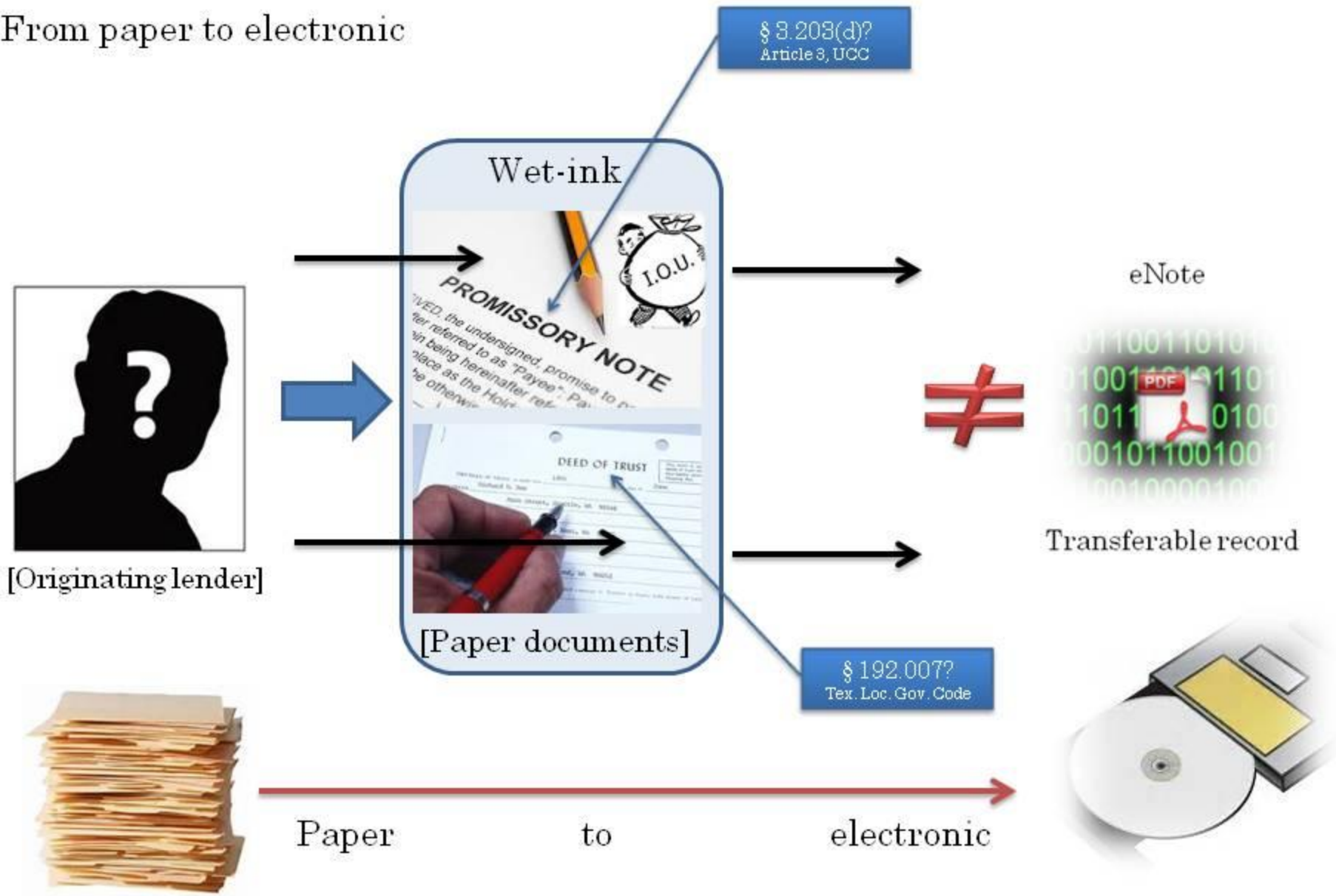


Document processing

Creating the intangible obligation

Step "x"

From paper to electronic



Step 3

Bob, how do I get my promissory Note and security agreement to you? Do I mail it?

Fred, use the national eNote registry since you now have it all in electronic records, and I can take it from there. You are a member, right?



Creating the intangible obligation

Step 3

Jim, I need to create my promissory Note and security agreement and get them to Bob. I need you to register it with the national eNote registry, right away.

Right away Mr. Fred. I'll have Rick get right on it.



Creating the intangible obligation

eNote registration



National eNote Registry



How do I attach a security agreement to an eNote?

eNote Registration

Registering the intangible obligation

Step 4

[Transferable record]

Electronic

Obligor



2

eNote



Transferable record



Controller



National eNote registry member



Grantee

[Sponsor lender]

Intangible Obligor



[Intangible Obligation]

Tale of Two Notes

1. Article 3, Paper
2. eSign Electronic

Underlying *secured* indebtedness – [tangible obligation]



1

[Paper documents]





American dream?
Investor nightmare!

Hello, Bob? I invested
in an eNote, and I've
heard they are not
legal.



No worries Bill, eNotes are
legal. eNotes are governed by
eSign, they can be enforced if
something goes wrong.



Bob, what I thought I
invested in was a
secured debt.



It is a secured debt. Uh, the
security agreement makes it
secured.



Bob, how is it a secured debt?



Bill, Uh, the security agreement listed the promissory Notes that secure the debt



Bob, does the security for this transaction have an underlying security?



No worries Bill, Uh, the lien securing promissory Note is safe with the originator.



Bob, so your saying I can sell my investment to other members and not worry about the underlying collateral?



No worries Bill, the lien securing promissory Note is being held by a national eNote registry, the place where you purchased your *interest* in the eNote.





Doing it that way Bill, the lien securing promissory Note is being held by the national eNote registry, and the eNote can be bought, sold, transferred, or assigned as many times as an investors wants to play the game.





We use the "mortgage follows the eNote" theory in the national eNote registry world.

Hello, Chichi, Bob told me I can sell or buy my investments from other national eNote registry members and not worry about the underlying collateral.



Bob told you what?



Chichi will you buy my investments from other national eNote registry members and not worry about the underlying collateral.



Bill, will you buy me some bananas in Africa?



That monkey is funny. And smart too!





eNotes are legal, but a lien securing real property can't be attached or perfected to an eNote



Because a deed of trust is not governed by eSign

Party's to the paper contracts in a secured real estate mortgage loan

Promissory (paper)

Borrower (obligor)

 Lender (obligee)

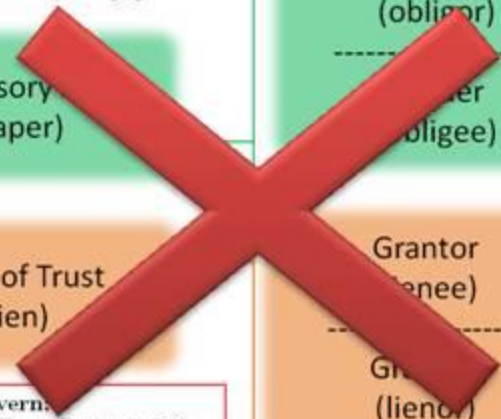
Deed of Trust (lien)

Grantor (beneficiary)

 Grantor (lienor)

 Trustee

Laws that govern:
 Deed of Trust, Texas Property Code, section 192.007, Texas Local Government, Article 3, Texas Penal Code, statute of Frauds.



Non UCC real estate mortgage





eNotes are legal,
but a security
agreement is not
attached or
perfected to an
eNote either



Because eSign
excludes Article
9, of the UCC

A security
agreement would
be governed by
Article 9.



15 USC 7003. Specific exceptions

(a) Excepted requirements

(3) the Uniform Commercial Code, as in effect in any State, other than sections 1-107 and 1-206 and Articles 2 and 2A.



UCC security agreement



eNotes are governed by eSign.



eNote



Transferable record

Non UCC

The Uniform Commercial Code excludes liens, such as a deed of trust.



Party's to the paper contracts in a secured real estate mortgage loan

Promissory Note
(paper)

Borrower
(obligor)

Lender
(obligee)

~~Deed of Trust
(lien)~~

~~Grantor
(lienee)~~

~~Grantee
(lienor)~~

Trustee

Laws that govern:
Deed of Trust, Texas Property Code,
section 192.007, Texas Local
Government, Article 3, Texas Penal
Code, statute of Frauds.

Non UCC real estate mortgage



I've got to lay low on this because they don't
want anyone to figure it out.
Shhh!





Did you know these
national eNote registry
members really made a
mess of things!



They tried to take a deed
of trust lien and strip it
away from the
promissory note it
secures.




NOT OK

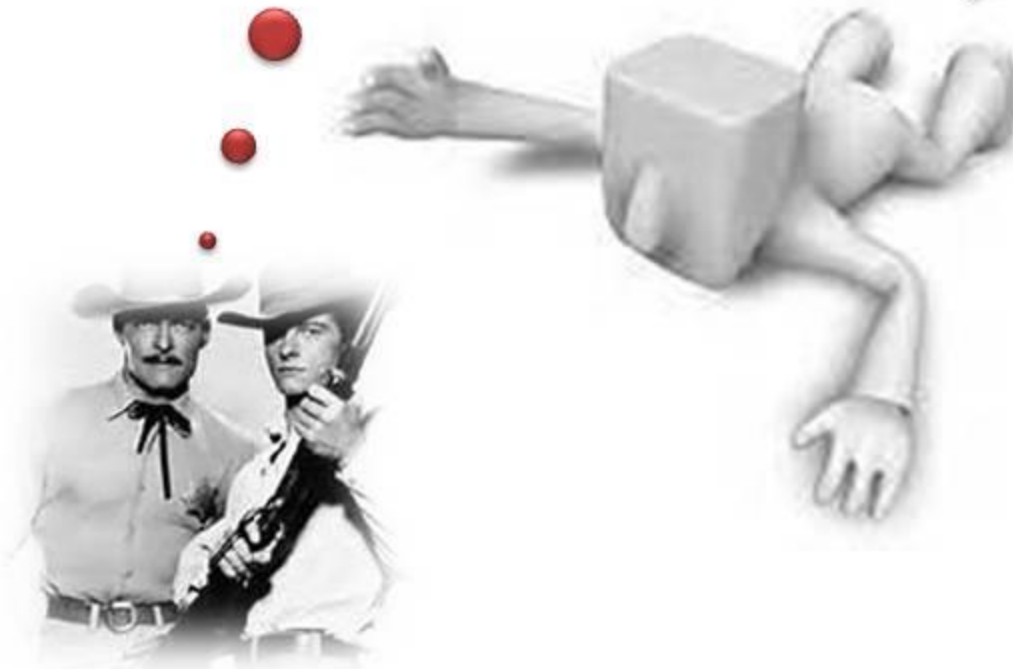
Not only that, but they tried to take the value of the promissory Note strip it away from the promissory note and apply it to an eNote.




NOT OK

Did I just hear him
Right? Somebody
may be committing
crimes?

Not only that, but they
tried to take the value of
the promissory Note strip
it away from the
promissory note and
apply it to an eNote.



Then they tried to take
the deed of trust lien and
attach it to the eNote.



NOT OK



Did I just hear him
right? Somebody is
committing crimes?



They fooled everybody with a
transferable record.



They fooled everybody with a
transferable record.



What the heck is a
transferable record?



The underlying tangible Note and lien

Controller



(31) "Electronic chattel paper" means chattel paper evidenced by a record or records consisting of information stored in an electronic medium.

UCC 9 Security agreement?

[Transferable record]



National eNote registry member



[Sponsor lender]

(11) "Chattel paper" means a record or records that evidence both a monetary obligation and a security interest in specific goods, a security interest in specific goods and software used in the goods, a security interest in specific goods and license of software used in the goods, a lease of specific goods, or a lease of specific goods and license of software used in the goods.

Underlying security



The term "**transferable record**" means an electronic record that—
 (A) would be a note under Article 3 of the Uniform Commercial Code if the electronic record were in writing;
 (B) the issuer of the electronic record expressly has agreed is a transferable record;
 (C) relates to a loan secured by real property.



So, you see Sheriff, the *eNote* an electronic promissory Note. And the *obligor* of the *eNote* figures it had a relationship with a real estate mortgage loan borrower because the *obligor* is the Lender in that underlying real estate mortgage loan transaction.



So they think that in some way, it
relates to real property.
They say it supposedly *relates* to a
loan *secured* by real property.



So, you see Sheriff, the eNote is not the paper promissory Note. It supposedly *relates* to a loan *secured* by real property.



So, you see Sheriff, the eNote is not the paper promissory Note. It supposedly *relates* to a loan *secured* by real property.

So, they foreclosed all those homes with a transferable record?

That ain't right at all, sheriff!



The eNote is an electronic promissory Note between the national eNote registry members who agreed to conduct commercial transactions electronically.



Let me get this right. Since Article 9 is excluded from eSign, can they even call themselves account debtors?




Well, the national eNote registry members claim those type words are only used as a reference when they conduct commercial transactions electronically.




So, what are they called in their electronic laws?





What are they called?



Yea, what are they called?

Well, by definition, they are called *Controller's*. These *controller's* are entities who are *holders* of a transferable record.



They are called what?

They hold what?



They transfer "*interests*" in an eNote.



They transfer what?



They transfer "*interests*" in transferable records.



OMG!



You mean they are not
transferring the paper
Notes?



They transfer "*interests*"
in transferable records.
Look at 15 USC 7021(b)



You mean they are not
transferring the paper
Notes?



You see, in 15 USC 7021, subsection (d) provides requirements for status as holder.

And in 15 USC 7021, subsection (e) provides the obligors rights.

And, in 15 USC 7021, subsection (f) provides requirements for showing proof by a person seeking to enforce the transferable record





And they are not governed by Article 3 or Article 9 when conducting their electronic transactions.

And the obligor of a paper Note is not the obligor of the electronic note.

And the paper Note is not tracked in the national eNote registry.



For the eNote registry members to be able to accomplish this eNote confusion, they put some wording, that most people never realized, was in a deed of trust lien.

It is in a Fannie Mae/Freddie Mac uniform instrument too.

It is usually located as number 20 in the uniform covenants. But sometimes it may be a different number.



Because most everything is securitized, the national eNote registry has to be a party to the eNote. Usually an electronic agent.

And since it is an eNote, I'm not sure how they slice and dice its interests.

And the covenant says the borrowers Note, or a *partial interest* in the borrower's Note can be sold one or more times.



But the real important thing that many didn't see, was "*together with this security instrument*"

And that might be thought of in the singular if the Note were sold.

But for the security instrument to be partially associated with multiple interests in one Note ...





Stop right
there!



Yea, woe
there!

They don't
transfer interest
in a paper Note?



They
don't?



All I'm saying is look at
15 USC 7021



15 USC 7021?
Hmmm?



What's that?



Besides 15 UCS 7001, 15 USC
7021 is the whole law that
governs the transferable record
during and after the parties
expressly agreed the thing
would be an electronic record.



15 USC 7021 is the whole law that governs the transferable after the parties expressly agreed the thing would be an electronic record.



Are you saying 15 USC 7021 governs those eNotes and the eNotes are not governed by the Uniform Commercial Code?



So, where is the paper promissory Note?



I suppose the originating lender would be the one to know where the Note is.

Because after the Note was imaged into the transferable record, the transferable record is what the originating lender registered and sold as a national eNote registry member.

These national eNote registry members found that all they needed to do to produce a note was to press the print key.

And by doing so, it makes it easier to attach an *"allonge"* to the printout.





What the heck am
I investing in?



Scrambled
eggs anyone?



What a scam!



What the
\$%#@& did you
say they are
doing?



With what they did,
they were able to
fool many investors

They were also able
to commit many
criminal acts.

And, they are able
to steal real
property as if it
were legal.



It is easy to record a fake document into public records because so many are misled by the national eNote registry.

So far, they are able to steal real property with transferable records.

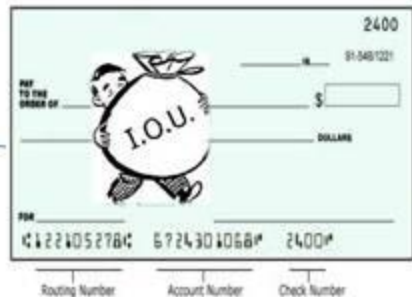


And the innocent real estate mortgage loan *borrower* continues making many monthly payments to many investors of a transferable record.



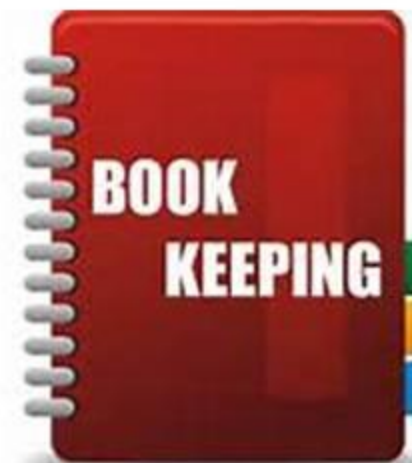
The underlying monthly payment stream

Obligor



Monthly payment

Servicer



The Note or a partial interest in the Note?



The Note or a partial interest in the Note?



The Note or a partial interest in the Note?

Investor




Making payments for the intangible obligation

So, when do the monthly payments go to the *obligee* of the paper promissory Note if the payments are being applied to a *transferable record*?



NOT OK



Hi,
I'm a real estate mortgage loan, I'm the
meat of the intangible payment
stream. Without me, the investors
only have a peel.

The inside of the banana
represents the real estate
mortgage loan. The peel
represents the intangible.

If the inside is missing, the
peel itself, outside does not
make it a real banana no
matter how much cotton can be
stuffed in it.



The End

OMG!



There goes the neighborhood



Wow, that is one big missing piece of the puzzle.

You see, with a lack of laws to support attaching a lien to an eNote, there is a very big missing piece to the eNotes existence relating to a real estate mortgage, more especially a lien.



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special thanks to all the graphics
artists whom helped make this possible.

