

Alvie Explains what James has explained many times, "Texas style".

This part is a refresher.

SECURITIZATION

Securitization is the financial practice of pooling various types of contractual debt such as residential mortgages, commercial mortgages, auto loans or credit card debt obligations and selling said debt as bonds, pass-through securities, or [Collateralized mortgage obligation](#) (CMOs), to various investors. The principal and interest on the debt, underlying the security, is paid back to the various investors regularly. Securities backed by mortgage receivables are called [mortgage-backed securities](#), while those backed by other types of receivables are [asset-backed securities](#). The so-called lower risk of [securitised instruments](#) attracts a greater number of [investors](#) seeking to benefit in the process of taking many individual assets and repackaging them as [Collateralized debt obligation](#).

ASSET-BACKED SECURITY

An **asset-backed security** is a [security](#) whose value and income payments are derived from and collateralized (or "backed") by a specified pool of underlying [assets](#). The pool of assets is typically a group of small and illiquid assets that are unable to be sold individually. Pooling the assets into financial instruments allows them to be sold to general investors, a process called [securitization](#), and allows the risk of investing in the underlying assets to be diversified because each security will represent a fraction of the total value of the diverse pool of underlying assets. The pools of underlying assets can include common payments from credit cards, auto loans, and mortgage loans, to esoteric cash flows from aircraft leases, royalty payments and movie revenues.

Often a separate institution, called a [special purpose vehicle](#), is created to handle the securitization of asset backed securities. The special purpose vehicle, which creates and sells the securities, uses the proceeds of the sale to pay back the bank that created, or originated, the underlying assets.

Real Estate Mortgage Investment Conduit

Real Estate Mortgage Investment Conduits, or "REMICs," (sometimes also called [Collateralized mortgage obligations](#)) are a type of [special purpose vehicle](#) used for the pooling of [mortgage loans](#) and issuance of [mortgage-backed securities](#). They were introduced in 1987^[1] and are defined under the [United States Internal Revenue Code \(Tax Reform Act of 1986\)](#), and are the typical vehicle of choice for the [securitization](#) of residential mortgages in the US.^[2]

Collateralized Mortgage Obligation

A **collateralized mortgage obligation (CMO)** is a type of financial debt [vehicle](#) that was first created in 1983 by the [investment banks Salomon Brothers](#) and [First Boston](#) for U.S. mortgage lender [Freddie Mac](#).

Special Purpose Vehicle

An SPV, or a special purpose entity (SPE), is a legal entity created by an originator by transferring assets to the SPV, to carry out some specific purpose or circumscribed

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activity, or a series of such transactions. SPVs only purpose to make transaction(s) for which they were created, and SPV's cannot make substantive decisions. SPV's rules of governing are set out in advance and carefully encompass their activities. One must understand, an SPV has no employees and it has no physical address.

As you read the above, its mostly from Wikipedia and you can see how complicated this financial foreclosure mess has become. I have said this before, understand what "words" mean. It just might clear up the confusion.

The truth of it all; It all boils down to a single piece of Tangible paper or as the "legal" world calls it, a "Contract", "Security Instrument", "Mortgage", "Deed of Trust", "The Lien", "Financing statement". Otherwise, it could possibly be an unsecured debt. Foreclosure is not available.

The question is; "Was the Security Instrument along with its "successor and assigns" properly recorded in public records as required by both the Uniform Commercial Code and the Security Instrument itself to reflect a perfected Security Instrument and a continuous perfected Chain of Title"? The Chain of Title would reflect a proper chain of negotiation of the Mortgage Note ("Note").

James McGuire has created many articles and charts to explain this. Hopefully through my explanation of this, you will be more interested in reading and understanding what James has created to explain this banking mess in more depth. Read, learn and understand what he has written and published at <http://www.ourlemon.com>.

From what you've read in regards to Securitization, Mortgage Backed Securities, Asset Backed Securities, REMIC, Collateralized Mortgage Obligation, Special Purpose Vehicle, they all seem pretty confusing and was most likely created that way, to keep you from understanding. Don't be intimidated.

Instead, understand why all the above is NOT legally possible when laws, requirements, and rules are not complied with. This is all somewhat explained backwards.

Let's start with the "basics" of Securitization.

The process of [securitization](#) is complicated, and is highly dependent on the [jurisdiction](#) upon which the process is conducted. The basics are:

1. *Mortgage loans ([mortgage notes](#)) are purchased from banks and other lenders and [assigned](#) to a trust*
2. *These loans are assembled into collections, or "pools"*
3. *These trusts securitize the pool and issue mortgage-backed securities, with documentation that identifies the underlying loans*

(Wikipedia)

1. *"Mortgage loans are purchased from banks and other lenders and Assigned to a Trust".*

Question

1. If these "Mortgage loans" were purchased from the banks and lenders, were the proper indorsements made on the face of the Mortgage Note to name the Subsequent Purchaser?
2. If these "Mortgage Loans" that were purchased from the banks and lenders and the proper indorsement was made on the face of the Mortgage Note to name the Subsequent Purchaser,

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was the Security Instrument corrected with an "Assignment of Mortgage" to reflect the name of the new Obligee?

2. *"These loans are assembled into collections, or "pools" "*

Question

1. If the Mortgage Loans were never "Indorsed" and "transferred", how did they legally become part of a "pool"?

3. *"These trusts securitize the pool and issue mortgage-backed securities, with documentation that identifies the underlying loans"*

Question

1. Without "Indorsement(s)" and "Transfer(s)" created to reflect the proper parties to the "Mortgage Loans", how were these "Pools" created?

2. When a Transferrable Record is the Payment Intangible, and the Payment Intangible owns the rights to collect monies from the Mortgage Notes, how did anyone not realize the paper Note was not being used?

Looks criminal to me, but I'm not law enforcement. IRS Tax Evasion?

This is the bottom line. The laws that govern a REMIC, SPV, MBS, CMO or any other "vehicle" come in to play for loan "activities" during the Mortgage loan negotiation but you don't really realize that.

Know what you need to know and the rest will fall in place. Focus on the laws that govern your "Mortgage", more specifically the Security Instrument. The "lien" on the Property. Save the home first, then deal with the debt.

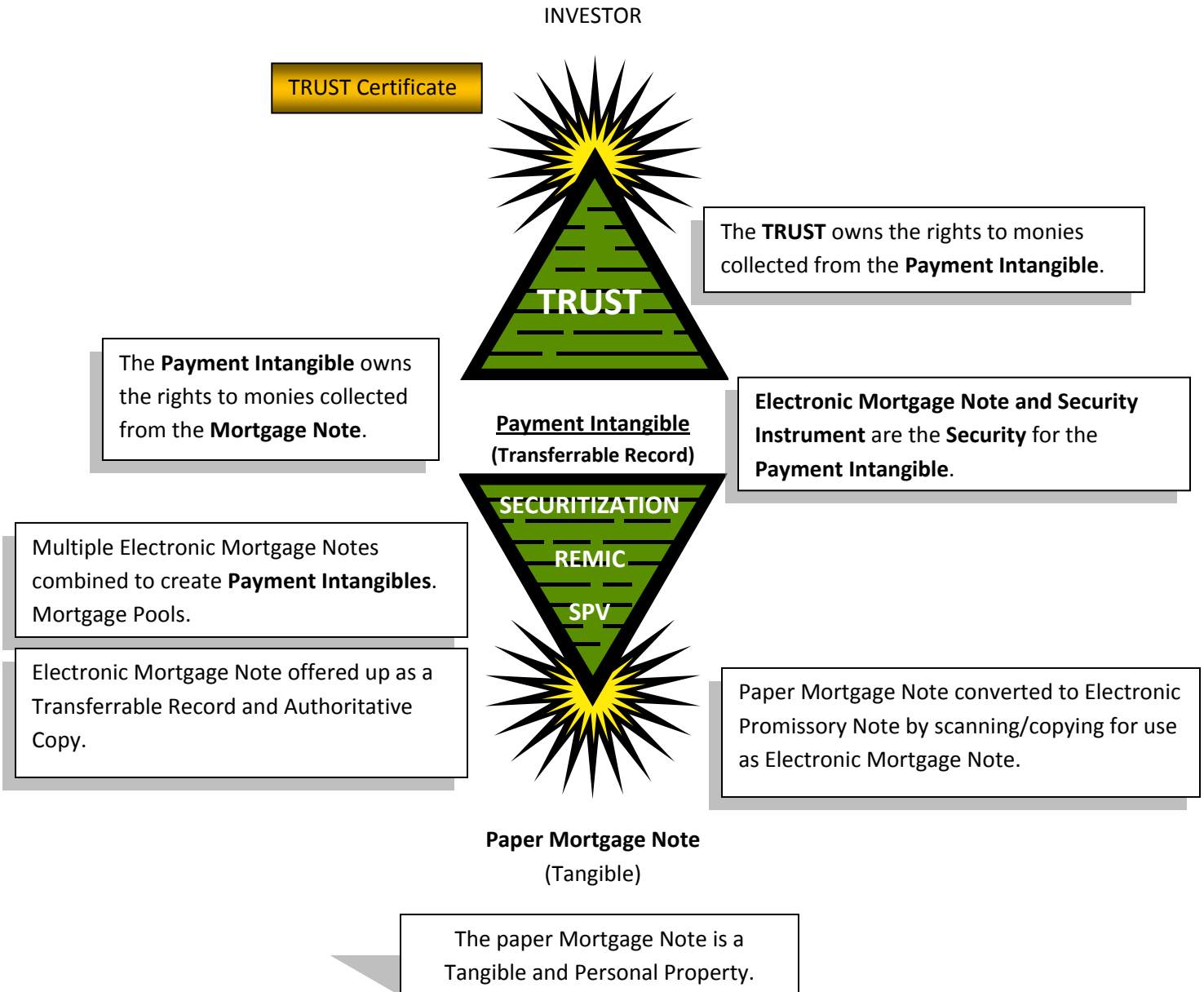
Get an overall picture of the puzzle and it will be a little easier to put the pieces in place.

To start with the "securitization" process, look at the "top" of the pyramid of confusion;

The Investor purchases a beneficial interest in Trust Certificates.

Certificates and Payment Intangibles are Personal Property. The local laws of jurisdiction that affect Real Property do not apply.

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There you have a Trust in reverse order. As you might have noticed, the Payment Intangible is the owner of the "Mortgage". The "Mortgage" contains an electronic Note and Security Instrument. The "Box in the Sock".

Speaking of trusts, if a party to the creation of the trust where "MERS" is involved and named in the PSA or other documents, that party knows "MERS" is involved. Forget about being an Innocent Purchaser.

Now you have an understanding of the "Trust" or Securitization process. But none of that has any value to you or the investor. Pay attention to the rest to understand why Mortgage Backed Securities have fatal flaws, besides the fact that electronic negotiable instruments having no supporting laws.

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Now to the "Mortgage", a "Secured" debt. A vital piece for the creation of Mortgage Backed Securities.

We all know it all starts with a "Mortgage Loan". "Mortgage" seems to be a confusing "word".

So, let's break it down.

Mortgage = Lien that affects Real Property

Loan= Monies

Both are contracts.

Mortgage Note= Debt

Deed of Trust/Mortgage/Security Instrument = Lien that affects Real Property

Both are Tangibles and Personal Property

Mortgage Note= Debt

Deed of Trust/Mortgage/Security Instrument = Collateral

Both are governed by Laws.

Real Property = Centuries of "dirt law".

Mortgage Note = Uniform Commercial Code

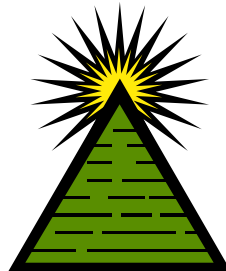
Security Instrument = Uniform Commercial Code/Local Laws of Jurisdiction

Borrower = Obligor, Lender/Bank = Obligee (See [Obligor/Obligee](#)) by James.

Now, to the most important piece of Tangible paper you can imagine, when it comes to foreclosure. (See [Tangible/Intangible](#)) by James.

Start with the paper Security Instrument. The paper Security Instrument attaches to the paper Note. The paper Security Instrument is more important to this whole foreclosure mess than the Electronic Note is. Why? Because the paper Security Instrument is the "Contract" that contains the terms that allow the enforcement of the "Power of Sale". The lien against the Real Property. Without it, it cannot be enforced legally. (See [For all](#)) by James.

**Perfection
of the
Security Instrument**



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To build the pyramid of perfection for the Security Instrument one can look within its four corners. A particular section lays out the rules for conforming to the laws. Not only does the Security Instrument lay the ground rules for complying with local laws of jurisdiction, the Uniform Commercial Code or the states equivalence of the UCC also provide the requirements.

(FHA Texas - Deed of Trust)

14. Governing Law; Severability – (Page 6 of 9).

*This Security Instrument shall be governed by Federal law and the **law of the jurisdiction in which the property is located.***

In the event that any provision or clause of this Security Instrument or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision,

To this end the provisions of this security instrument and the Note are declared severable.

Since the Security Instrument alone provides this provision, one can look to see it is also mentioned in Revised Article 9.

Section 9-201 - GENERAL EFFECTIVENESS OF SECURITY AGREEMENT

*(a) General effectiveness. Except as otherwise provided in this title, a security agreement is **effective according to its terms between the parties, against purchasers of the collateral, and against creditors.***

Section 9-312 - Perfection Of Security Interests In Chattel Paper, Deposit Accounts, Documents, Goods Covered By Documents, Instruments, Investment Property, Letter-Of-Credit Rights, And Money; Perfection By Permissive Filing; Temporary Perfection Without Filing Or Transfer Of Possession

*(a) **Perfection by filing permitted.** A security interest in chattel paper, negotiable documents, instruments, or investment property **may be perfected by filing.***

The closing of the Mortgage Loan is complete. The Borrower has done their part. All the Borrower needs to do is make the agreed upon payments, not go into default, and pay off the debt.

Now the Original Party in the Mortgage Loan Agreement, the Obligee has another step. The base of the Pyramid was completed when the Borrower(s) signed the Security instrument. This was a Temporary perfection.

Section 9-312(e)

*(e) **Temporary perfection: new value.** A security interest in certificated securities, negotiable documents, or instruments is perfected without filing or the taking of possession for a period of twenty (20) days from the time it attaches to the extent that it arises for new value given under an authenticated security agreement.*

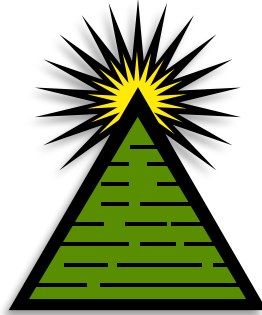


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To continue to build the perfected Pyramid, another step is needed as required by Section 9-312 (shown above). For those in Texas, Let's look at part of the icing on the cake, Texas Local Government Code, Chapter 192, section 001;

Sec. 192.001. GENERAL ITEMS. The county clerk shall record each deed, mortgage, or other instrument that is required or permitted by law to be recorded. - Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

The original Obligee, then files of record the Security Instrument into public records in the county where the Property is located, as a notice to the world that a lien is in place.



Now the Pyramid is Perfected
A "valid" lien that affects Real Property is in place.
Enforcement of the "Power of Sale" clause can now be accomplished.

Now you have an understanding of what is required to "Perfect" the Security Instrument that is attached to the Mortgage Note the Borrower signed to create a Secured debt. Without perfection status, there is no valid Security Instrument. There is no valid lien. (See [For all](#)) by James.

Through the perfected Security Instrument the Borrower and Lender are held to their agreements in both the Mortgage Note and the Security Instrument. This Secured debt is bound by laws for both the Note and the Security Instrument and must be followed or severe consequences will arise. With a perfected Security Instrument, the correct party to the "Mortgage Loan" can and will foreclose should default occur.

The Security Instrument is a lien that affects Real Property. The Security Instrument isn't as important as the "words" within it. The words within it contain the requirements to comply with the laws of jurisdiction.

Next, get an understanding about the "Note".

Not to repeat, but the Borrower and Lender come to an agreement and both sign contracts to create a secured debt. Those contracts were the "Mortgage Note" and the "Security instrument".

The Mortgage note, "Note" is the debt. The paper Mortgage Note is Tangible and Personal Property. (See [Tangible/Intangible](#)) by James.

Remember some of the verbiage?

"In return for a loan received from Lender, Borrower promises to pay..."

"Borrower's Promise to pay is secured by a mortgage, deed of trust, or similar security instrument that is dated the same date as this note and called the "Security Instrument"."

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The Borrower signed the Note as the original Obligor. The original Lender was the original Obligee. Understand "Words" and their meanings.

The Obligee recorded the "Security Instrument" referenced in the "Note" into public records per the requirements of a third party, and laws that govern to complete compliance with the contracts and to obtain a "perfected" status of the Security Instrument, securing the debt.

By completing these tasks, a secured debt is in place. The Note the Obligee holds is "secured" by collateral which is title to Real Property that is noticed in public records.

But what happens if the "Original Lender" sells my Mortgage?

A simple answer for that; Who cares as long as they did it properly. It is only if you do your research that you might know if someone else has your Secured Debt legally. Or do they?

For the original Obligee to sell the Mortgage, the original Obligee would negotiate with the second Obligee to come to terms with an agreement. Once this was complete, the original Obligee would negotiate the Mortgage Note under cover of a Bailee's letter. Then the original Obligee would transfer the rights of the Security instrument by filing of record the name of the second Obligee who purchased the Mortgage Note. Then complete the negotiation by filling in the next owners name in the blank.

The second Obligee completes the negotiation by filling in the blank if the Note was negotiated "in blank". Then the second Obligee records an "Assignment of Mortgage" to transfer the lien and perfect the Security Instrument into the second Obligee's name. See the end of this paper to better understand "Negotiations".

A bit more about "negotiations In Blank" and questions or comments that come to mind.

NEGOTIATIONS OF THE MORTGAGE NOTE "IN BLANK"

First Negotiation

When the Mortgage Note is used as collateral in a Mortgage Backed Security or MBS, with an unknown "In Blank" Indorsee, that Indorsee would need to be the first entity in the creation of the MBS. The "In Blank" should show the identity of the party to allow additional negotiations of the Mortgage Note to continue the creation of the Trust. (See [Subsequent Purchaser Electronic Authoritative Copy](#)) by James.

With "MERS" involvement, the Transferrable Records contain an Authoritative Copy(s) of electronic negotiable instruments, which have no supporting laws.

How was "MERS" an agent to an "unknown" Indorsee?

*The **second negotiation** of the Mortgage Note would be from the Trust creator to the Trust depositor.*

But what they are actually doing is using the first indorsement "In Blank" for the negotiation. They are using an "unknown" party who is alleging to be the Holder and Owner of the Mortgage Note by a negotiation "In Blank" and by not filing a recorded transfer of lien rights to the second "In Blank" Indorsee. Again, How was "MERS" an agent to an "unknown" Indorsee?

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*The **third negotiation** of the Mortgage Note would be from the Trust depositor to the Trust trustee.*

What they are actually doing is the same as the first indorsement "In Blank" for the negotiation. They are using an "unknown" party who is alleging to be the Holder and Owner of the Mortgage Note by a negotiation "In Blank". "MERS" an agent to an "unknown" Indorsee?

*The **fourth negotiation** of the Mortgage Note would be from the Trust trustee to the Trust.*

They are doing the same thing as the first indorsement "In Blank" for the negotiation. They are using an "unknown" party who is alleging to be the Holder and Owner of the Mortgage Note by a negotiation "In Blank". And again, how was "MERS" an agent to an "unknown" Indorsee?

Now you have an idea of how the "Mortgage Loan" is properly sold and transferred according to the laws that govern. And you can see how "Negotiations" go wrong by multiple parties using "In Blank". This is fatal to the "secured" debt.

Without "Indorsements" on the face of the Mortgage Note, the only party that would be known is the original "Obligee/Lender/loan originator".

There are two distinct "Chains".

1. One "Chain" is the Indorsements on the face of the Note or the "Chain of Indorsements".
2. The other "Chain" would be the "Chain of Title" recorded in public records where the Property is located to reflect the transfer and lien perfection naming the proper parties.

As previously stated about the chain of Indorsements, the laws are in place and the requirements are there. However, "MERS" and the Mortgage Banking Industry have created fatal flaws with Mortgage loans in the U.S. by not conforming to the laws that govern.

So, why is someone else foreclosing on me? Who is "MERS"?

There is no need to go into the history of "MERS", Mortgage Electronic Registration Systems, Inc. There are many subject matter experts for that explanation. Let's look at why "MERS" can't.

The Deed of Trust contains within its four corners; *"Mortgage Electronic Registration Systems, Inc. "MERS" as "Nominee" for Lender and Lenders' successors and assigns,..."*

Don't argue with "MERS". Understand what "MERS" does and what "MERS" did not do. "MERS" is a national book entry system, just as one of the definitions states in section 51 of the Texas Property Code.

Sec. 51.0001. DEFINITIONS. In this chapter:

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(1) *"Book entry system" means a national book entry system for registering a beneficial interest in a security instrument that acts as a nominee for the grantee, beneficiary, owner, or holder of the security instrument and its successors and assigns.*

But can a "Book entry system" record?

From their website; *"MERS acts as nominee in the county land records for the lender and servicer. Any loan **registered on the MERS® System** is inoculated against future assignments because MERS remains the nominal mortgagee no matter how many times servicing is traded. MERS as original mortgagee (MOM) is approved by Fannie Mae, Freddie Mac, Ginnie Mae, FHA and VA, California and Utah Housing Finance Agencies, as well as all of the major Wall Street rating agencies."*

It is ok if "MERS" registers mortgages. "MERS" can track registered mortgages all day long. Question is; "Did "MERS" file of record"? If "MERS" did, how did "MERS" do it?

Is "MERS" an agent in the "PSA", Pooling and Servicing Agreement? If not, how could "MERS" be an agent of a contract, "PSA" that has not yet been executed. The "PSA" defines the agents of the trust and clearly identifies "MERS" as only a registry. Herein lies an issue; "MERS" may claim to be an authorized agent of the Servicer or the Trustee of the Trust but no such agency relationship is readably identified in any "PSA's" reviewed.

See the [Underlying Collateral](#) by James.

How can "MERS" be an agent for an unidentified "Indorsee"? Can "MERS" be an agent for an "Unknown"?

"MERS" is used for the Securitization process of millions of mortgages across the U.S. But that process has fatal flaws within it. Let's explain.

"Mortgages" consist of a paper Mortgage Note and a paper Security Instruments. They are Tangibles and Personal Property.

At some point, these paper "Mortgages" are scanned or copied into electronic format. A digital file of some sort. They are converted into Electronic Mortgages.

The Electronic Mortgage Note is offered up as a Transferrable Record and/or Authoritative Copy along with other Electronic Mortgage Notes into a Mortgage Pool as a Special Purpose Vehicle, or Investment Vehicle to Investors.

Those Electronic Mortgage Notes are Payment Intangibles, with the impression that Paper Mortgage Notes and Paper Security Instruments are the security. (see Pyramid of confusion)

The Payment Intangible owns the rights to collect the monies from the Mortgage Notes. The Trust owns the rights to collect monies from the Payment Intangibles. And the Investor purchases a beneficial interest in Trust Certificates the trust creates. See the chart "[Subsequent Transferrable Record](#)" by James to better understand this.

"MERS" "Mortgage Electronic Registration Systems, Inc. "MERS" as "Nominee" for Lender and Lenders' successors and assigns,..."

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"MERS" is filed of record in public record where the Property is located as a "nominee" for Lender and Lender's successors and assigns, and this could be ok, but how does "MERS" represent an unknown "Obligee" or "Indorsee"

If the Mortgage Note is negotiated "In Blank", through "MERS" there is an unidentified "Indorsee". Without a proper Indorsement, the Mortgage Note does not show a proper Chain of Negotiation. Without the proper Indorsement, there is no proper lien transfer.

Does the unidentified "Indorsee" exist after the creation of the Trust? Did the unidentified "Indorsee" exist at the closing of the loan? Good question.

To make matters even worse, multiply the number of negotiations of these electronic Mortgages by "MERS".

The illusion that "MERS" is negotiating paper Negotiable Instruments has most people confused as to why the "Mortgage" is not a valid Secured Debt or why "MERS" can't?.

Upon attachment of the Security Instrument to the Mortgage Note, the paper Tangibles are scanned into electronic image and used under the guise of 15 USC 7001, the E-SIGN Act. After scanning, "MERS" offers up an electronic image of the Note as an Authoritative Copy. The authoritative copy is then compiled into a Transferable Record along with all the other scanned closing documents.

It is Transferrable Records of the Authoritative Copy that are being used to compile the mass amounts of Special Purpose Vehicles, Collateralize Mortgage Obligations, into Mortgage Pools of the Securitization process. It is all "electronic" after the paper Tangibles are signed. These "electronics" have no supporting laws, see 15 USC 7003. To better understand this, look at "[Transferrable Record Fraud](#)" by James.

It is an Intangible Transferrable Record that "MERS" uses make all of this "securitization" illusion work. The problem with it is it has no supporting laws for intangible promissory notes. The original "secured debt" was completed with paper Tangibles.

The negotiation of the Mortgage Note can go as long as the debt is there. The problem with the negotiations fall to the face of the Mortgage Note itself. Who "negotiated" to who? Are the indorsements there? One way to find out would be through an audit trail from "MERS".

Foreclose? How can they?

That is easy to answer if you just walk away from your home. An abandoned home makes it easy to file a "Substitute Trustee Deed".

Who owns the Property? The Security Instrument has your name on it. Does it have the name of the party trying to foreclose?

This idea of how to add more to the Stock Market has created one of the largest crimes in U.S. history. The fact that these selected few within the Banking Industry have for years now continued to negotiate an "electronic" Mortgage is beyond comprehension for most. What is worse; they do not have any supporting laws to this "electronic" mortgage mess to save them from the fall. 15 USC 7003, excludes items governed by the UCC, with exceptions. (See [E-Notes are not legal](#)) by James.

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§ 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. 2 and 2a.

BIFURCATION – See “[Alvie Explains it](#)”

Bifurcation means the splitting of a main body into two parts.

Example; The Secured debt consist of the paper Mortgage Note and the attached paper Security Instrument. The secured debt is the main body. The separation comes when the Note is negotiated to a Subsequent Purchaser and either the original Obligee, or the Subsequent Purchaser, failed to properly record an Assignment of Mortgage to reflect a negotiation of a Mortgage Note, a Transfer of the lien and show a perfected chain of title in public records. This separated the Note from the Security instrument.

By the way, Judges know what “Bifurcation” means. Same concept, different way.

*In law, **bifurcation** is a judge's ability to divide a [trial](#) into two parts so as to render a [judgment](#) on a set of legal issues without looking at all aspects. Frequently, [civil cases](#) are bifurcated into separate [liability](#) and [damages](#) proceedings. Criminal trials are also often bifurcated into guilt and sentencing phases, particularly in [capital](#) cases - Wikipedia*

The Borrower signed Tangible paper. Both contracts the Borrower signed were paper Tangibles. These Tangible Instruments were governed by laws. These Tangible Instruments were Personal Property. These Tangible Instruments were the creation of the Secured debt. Separating these two Tangible Instruments are fatal to the Secured debt. The mortgage industry has to know this.

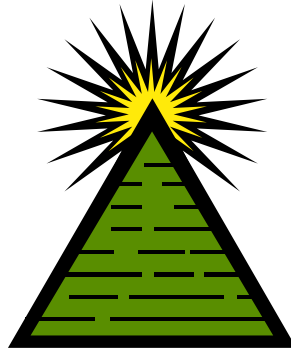
After reading this, I hope you now understand how valuable the Security Instrument is. It does not matter how you got into this mess. It does matter that you know what you are up against.

The unperfected Deed of Trust becomes void and the foreclosure is not lawful. The Note is somewhere. Do you want to spend time looking for the Note or go to public records and see if the whole dang thing is legal.

Let’s look at how the process of continuously perfecting the Security Instrument after the “Mortgage” is sold. (See [For all](#)) by James.

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**Continuous Perfection
of the
Security Instrument**



To build the pyramid of continuous perfection for the Security Instrument one can look within its four corners. A particular section lays out the rules for conforming to the laws. Not only does the Security Instrument lay the ground rules for complying with local laws of jurisdiction, the Uniform Commercial Code or the states equivalence of the UCC also provide the requirements.

(FHA Texas - Deed of Trust)

14. Governing Law; Severibility – (Page 6 of 9).

This Security Instrument shall be governed by Federal law and the **law of the jurisdiction in which the property is located.**

In the event that any provision or clause of this Security Instrument or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision,

To this end the provisions of this security instrument and the Note are declared severable.

One can look to see it is also mentioned in Revised Article 9.

Section 9-201 - GENERAL EFFECTIVENESS OF SECURITY AGREEMENT

(a) General effectiveness. Except as otherwise provided in this title, a security agreement is effective according to its terms between the parties, against purchasers of the collateral, and against creditors.

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(a) **Perfection by filing permitted.** *A security interest in chattel paper, negotiable documents, instruments, or investment property **may be perfected by filing.***

The Mortgage Loan was sold by the original Obligee to a Subsequent Purchaser. Now the Original Party in the Mortgage Loan Agreement, the Obligee has another step. The base of the Pyramid was completed when the Subsequent Purchaser successfully negotiated the Mortgage Note from the original Obligee. This was a Temporary perfection for the attached Security instrument.

Section 9-312(e)

(e) **Temporary perfection: new value.** *A security interest in certificated securities, negotiable documents, or instruments is perfected without filing or the taking of possession for a period of twenty (20) days from the time it attaches to the extent that it arises for new value given under an authenticated security agreement.*



To continue to build the continuously perfected Pyramid, another step is needed as required by Section 9-312 (shown above). For those in Texas, Let's look at the icing on the cake, Texas Local Government Code, Chapter 192, section 007;

Sec. 192.007. RECORDS OF RELEASES AND OTHER ACTIONS.

(a) To release, transfer, assign, or take another action relating to an instrument that is filed, registered, or recorded in the office of the county clerk, a person **must file, register, or record another instrument relating to the action in the same manner as the original instrument was required to be filed, registered, or recorded.**

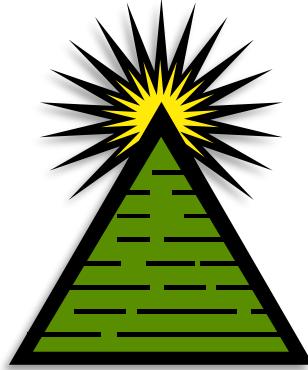
(b) *An entry, including a marginal entry, may not be made on a previously made record or index to indicate the new action. - Added by Acts 1989, 71st Leg., ch. 1248, Sec. 53, eff. Sept. 1, 1989.*

The Subsequent Purchaser/second Obligee, then files of record an “Assignment of Mortgage:” that reflects the Security Instrument in public records in the county where the Property is located, as a notice to the world that a lawful Transfer of lien is in place. There are two distinct “Chains”.

1. One “Chain’ would be the Indorsements on the face of the Note or Chain of Indorsements.
2. The other “Chain” would be the chain of Title recorded in public records where the Property is located to reflect the transfer and lien perfection naming the proper parties.

Alvie Explains what James has explained many times, "Texas style".

As previously stated about the chain of Indorsements, the laws are in place and the requirements are there. However, "MERS" and the Mortgage Banking Industry have created fatal flaws with Mortgage loans in the U.S. by not conforming to the very laws that govern.



Now the Pyramid is continuously Perfected Enforcement of the "Power of Sale" clause can now be accomplished.

Understand, that without the proper chain of indorsements and/or a proper chain of title, a secured debt is not a secured debt. It is an "Unsecured" debt. Without a proper chain of indorsements, the only proper party to the Note would be the original Obligee or the last legal Obligee Indorsed on the face of the Mortgage Note.

Without a proper Chain of Title to reflect the true party to the Security instrument and Mortgage Note, the Security Instrument is a nullity. It lacks enforcement. The "Power of Sale" clause is no longer valid.

Save the home first, then deal with the debt.

"MERS" tracks a Transferrable Record of an Authoritative Copy of the Electronic Mortgage Note. With the previous description of the negotiations of the Mortgage Note "In Blank", it is a good time to start asking how "MERS" can be an agent for an unidentified Indorsee? Without a proper chain of negotiation, and on the face of the Mortgage Note is an "In Blank" Indorsee, the only possible owner of the Mortgage Note would be the original Obligee. (See [Chain of Identity](#)) by James.

It can be possible that Servicers and trustees can become Holder of the Note and they can claim they represent the Holder in Due Course. But if the proper negotiation of the Note was not according to the laws, those trusts the trustees represent do not have legal rights to enforce the terms of the Notes or the Security instruments.

The **Payment Intangible** owns the rights to monies collected from the **Mortgage Note**. The **TRUST** owns the rights to monies collected from the **Payment Intangible**. Wrong thinking.

Through the "process" of Mortgage Backed Securities, with "MERS" involved, the Trust is the owner of a Transferrable Record that shows who has control over the Custodian that holds the Mortgage Note and control over "MERS" as the "mortgagee of record".

Whether "MERS" is involved in millions of Mortgages in the U.S. or not, the proper chain of negotiation must exist. Otherwise, the Mortgage note still belongs with the original Obligee and the Security Instrument must be perfected to reflect a proper chain of title, or the Security instrument is a nullity. Foreclosure is out of the picture.

Alvie Explains what James has explained many times, "Texas style".

There is an abundance of information in regards to this Banking mess. James McGuire has many articles and chart for anyone to read and understand. As you have read, that information has educated me about this Trillion Dollar FUBAR.

The Lien is Gone.