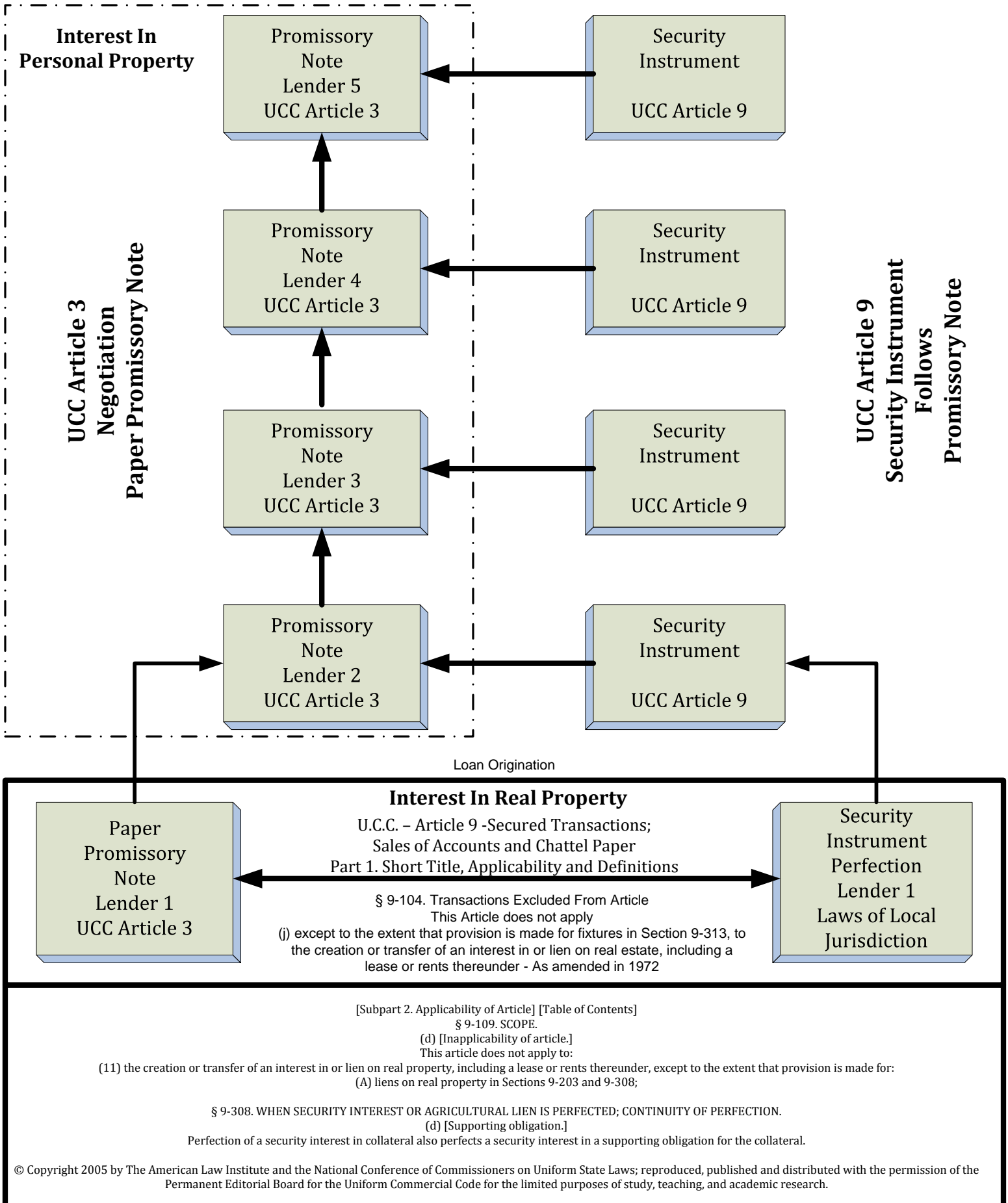
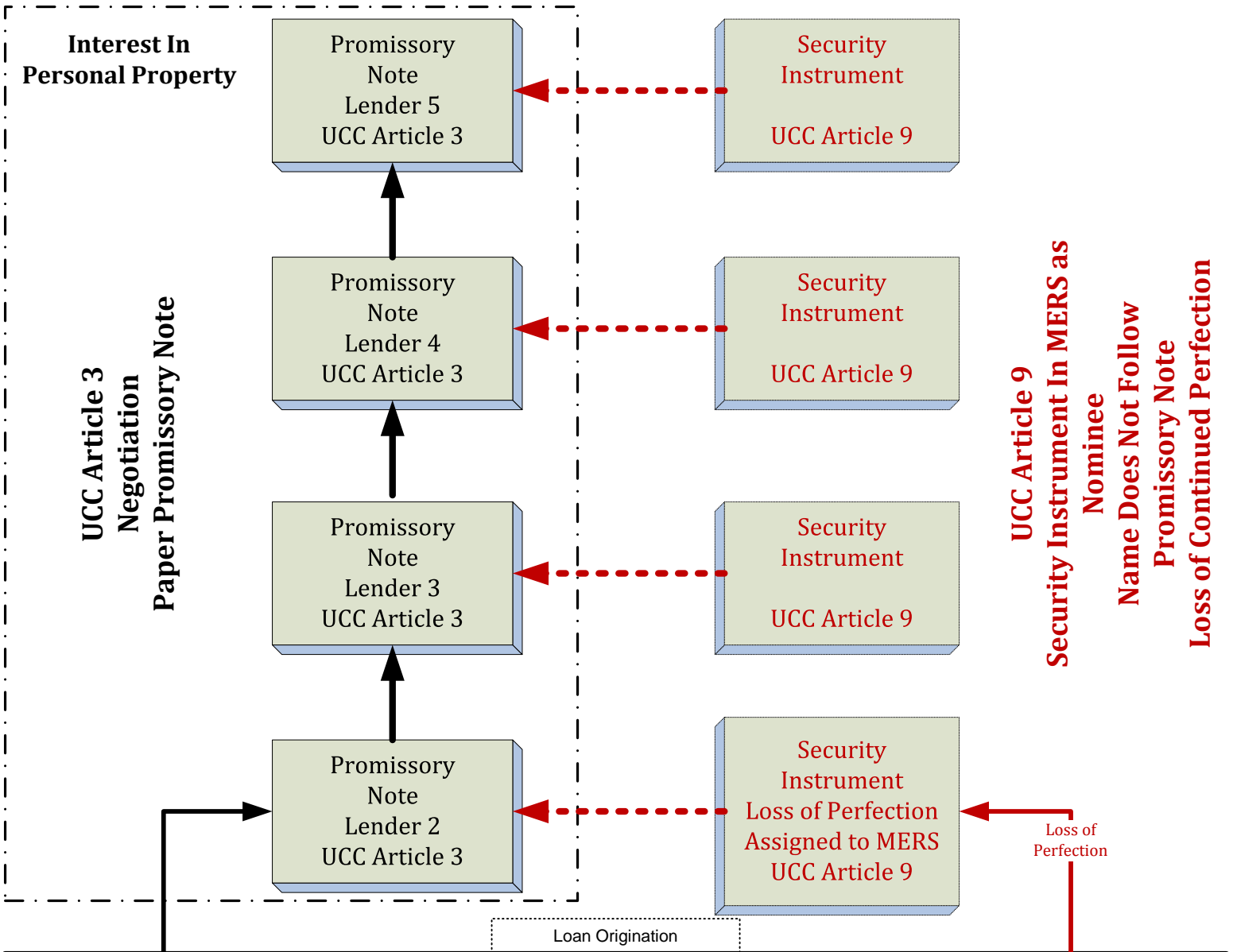


Perfected Security Instrument Follows The Paper Negotiated Promissory Note The Uniform Commercial Code Theory



Assigned – Loss of Perfected Security Instrument Does Not Follow The Paper Negotiated Promissory Note



Interest In Real Property

U.C.C. – Article 9 -Secured Transactions;
Sales of Accounts and Chattel Paper
Part 1. Short Title, Applicability and Definitions

§ 9-104. Transactions Excluded From Article
This Article does not apply
(j) except to the extent that provision is made for fixtures in Section 9-313, to
the creation or transfer of an interest in or lien on real estate, including a
lease or rents thereunder - As amended in 1972

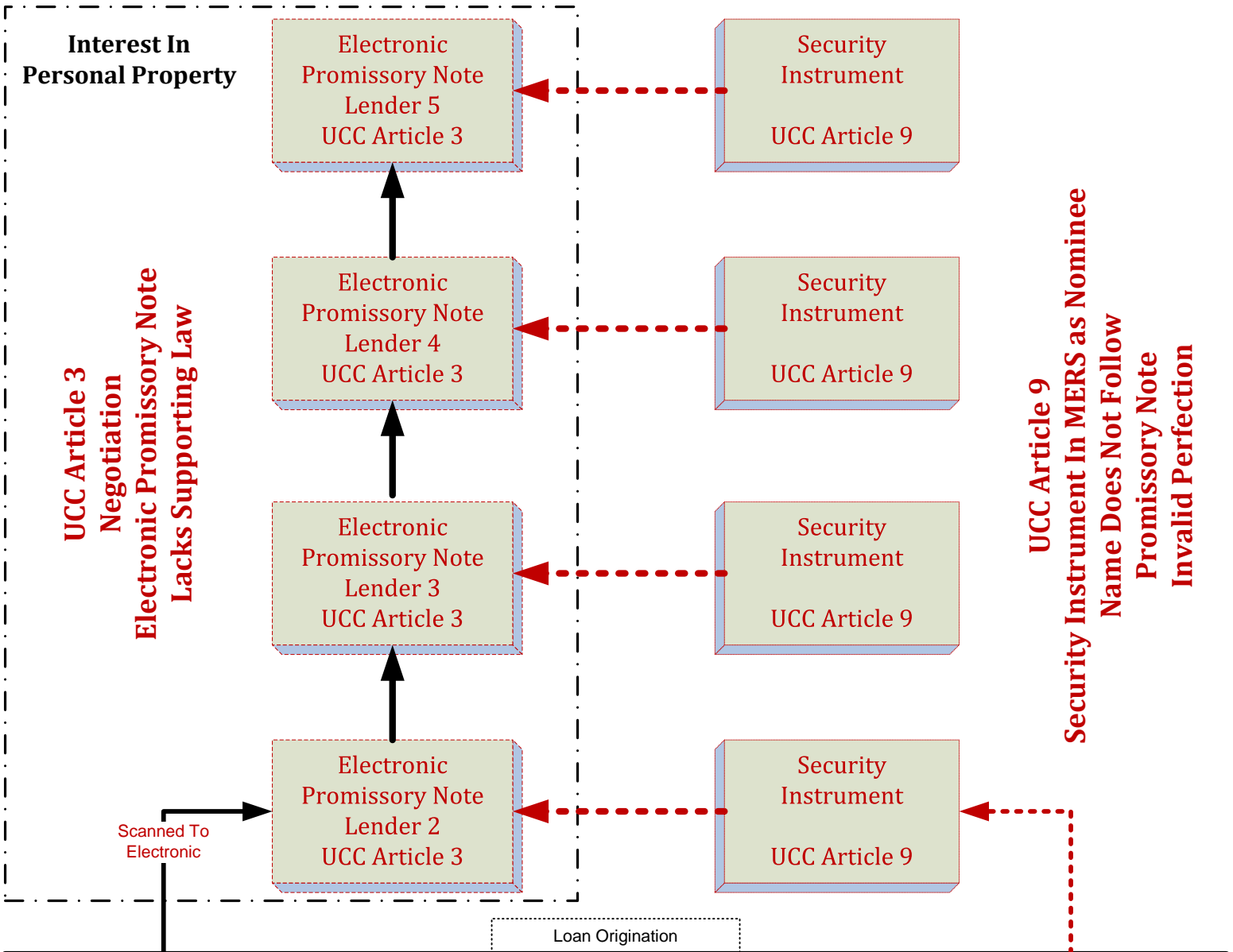
Paper Promissory Note
Lender 1
UCC Article 3

Security Instrument Perfected
Lender 1
Laws of Local Jurisdiction

[Subpart 2. Applicability of Article] [Table of Contents]
§ 9-109. SCOPE.
(d) [Inapplicability of article.]
This article does not apply to:
(11) the creation or transfer of an interest in or lien on real property, including a lease or rents thereunder, except to the extent that provision is made for:
(A) liens on real property in Sections 9-203 and 9-308;

§ 9-308. WHEN SECURITY INTEREST OR AGRICULTURAL LIEN IS PERFECTED; CONTINUITY OF PERFECTION.
(d) [Supporting obligation.]
Perfection of a security interest in collateral also perfects a security interest in a supporting obligation for the collateral.

Non-Perfected Security Instrument Does Not Follow The Electronic Negotiated Promissory Note



Interest In Real Property

U.C.C. – Article 9 -Secured Transactions;
Sales of Accounts and Chattel Paper
Part 1. Short Title, Applicability and Definitions

§ 9-104. Transactions Excluded From Article
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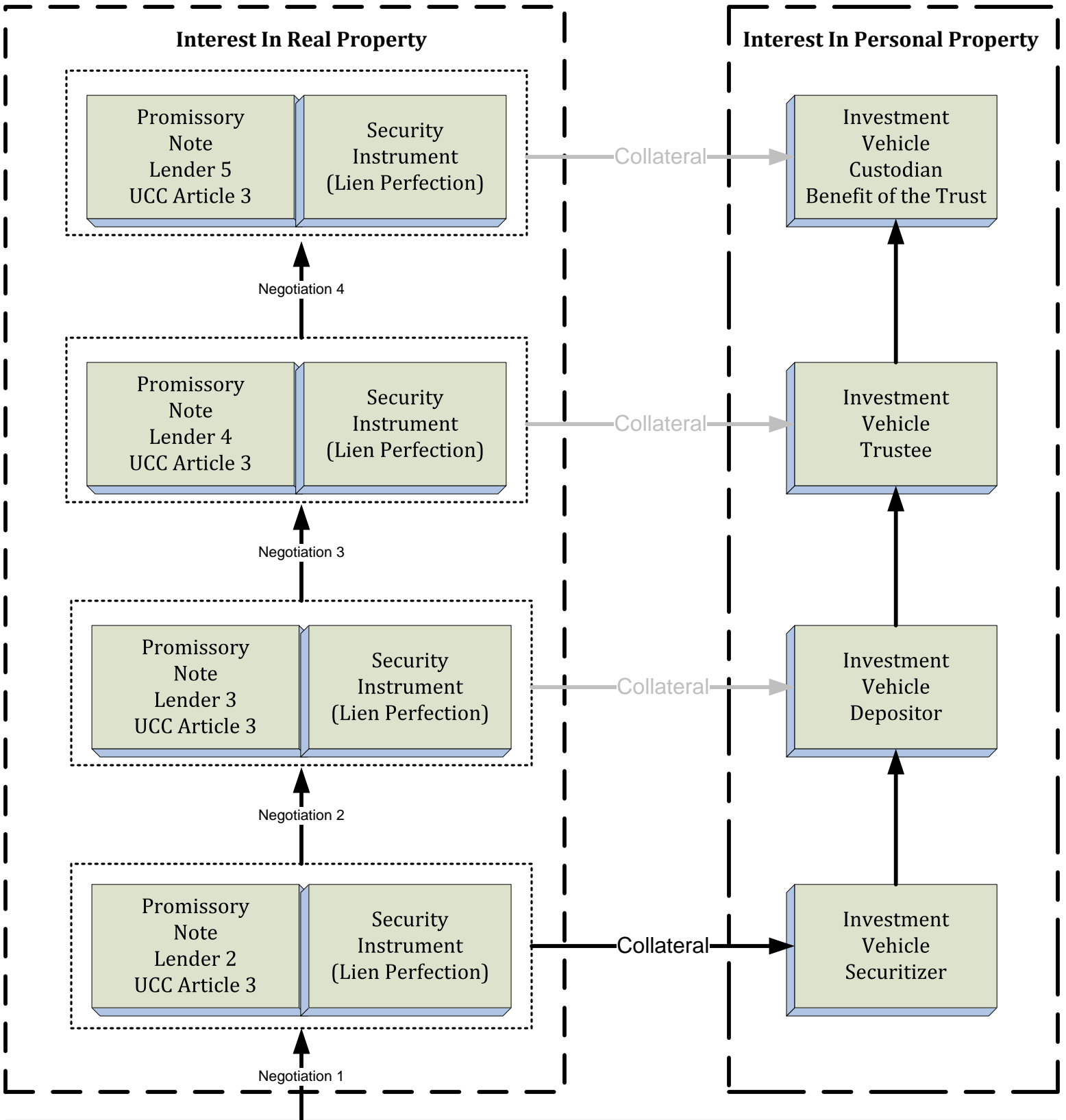
Paper Promissory Note Lender 1 UCC Article 3

Security Instrument Non-Perfected MERS Laws of Local Jurisdiction

[Subpart 2. Applicability of Article] [Table of Contents]
§ 9-109. SCOPE.
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Real - Personal (UCC - E-Sign - UETA)

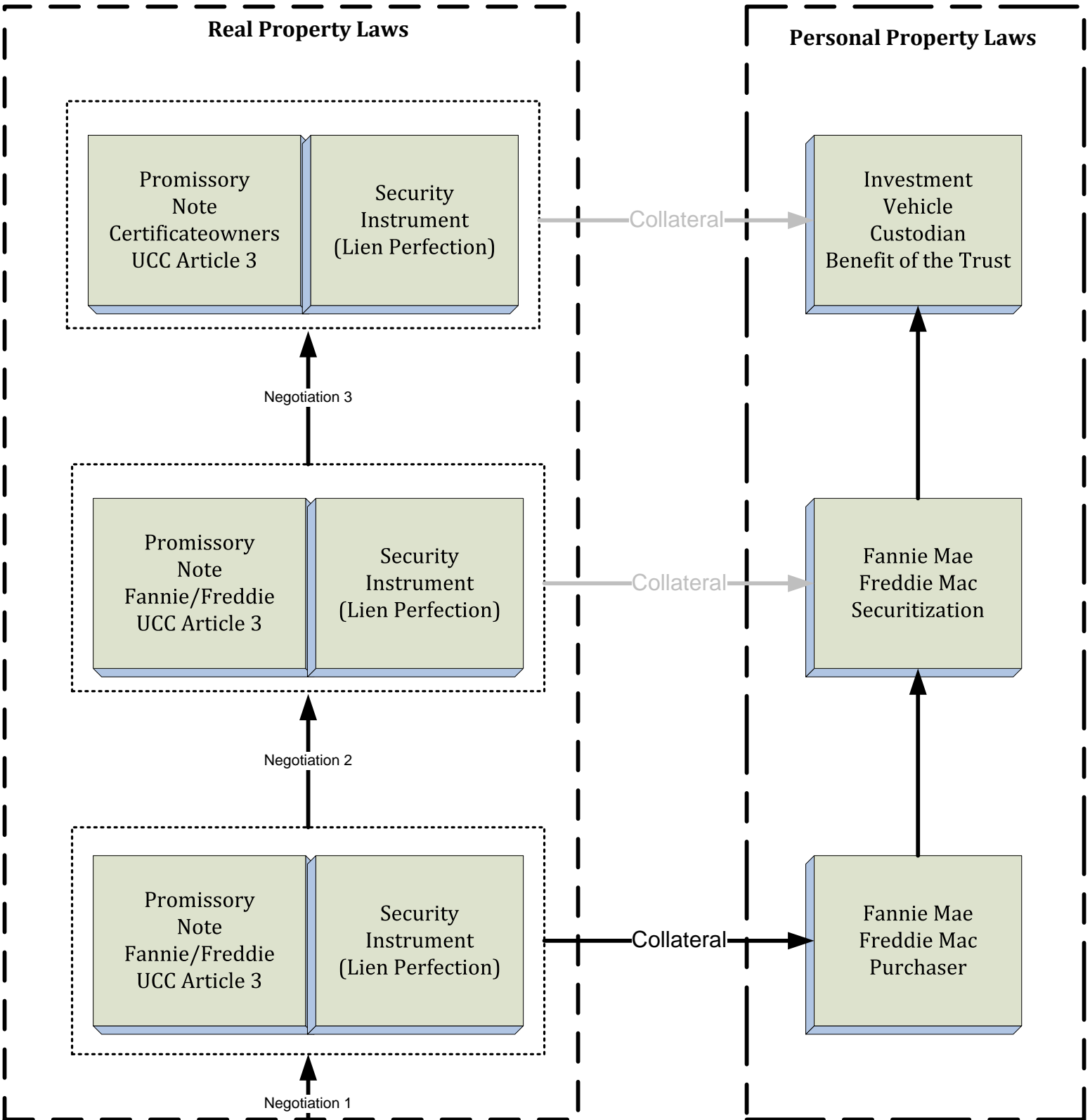


<p>Paper Promissory Note Lender 1 UCC Article 3</p>	<p>Interest In Real Property U.C.C. - Article 9 -Secured Transactions; Sales of Accounts and Chattel Paper Part 1. Short Title, Applicability and Definitions</p> <p>§ 9-104. Transactions Excluded From Article This Article does not apply (i) except to the extent that provision is made for fixtures in Section 9-313, to the creation or transfer of an interest in or lien on real estate, including a lease or rents thereunder - As amended in 1972</p>	<p>Security Instrument Perfection Lender 1 Laws of Local Jurisdiction</p>
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Fannie Mae - Freddie Mac

Real Property Laws

Personal Property Laws



Interest In Real Property

U.C.C. - Article 9 - Secured Transactions;
 Sales of Accounts and Chattel Paper
 Part 1. Short Title, Applicability and Definitions

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 This Article does not apply

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Paper
 Promissory
 Note
 Lender 1
 UCC Article 3

Security
 Instrument
 Perfection
 Lender 1
 Laws of Local
 Jurisdiction

(Excerpts)
UNIFORM ELECTRONIC TRANSACTIONS ACT (1999)
Drafted by the
NATIONAL CONFERENCE OF COMMISSIONERS ON UNIFORM STATE LAWS
and by it
APPROVED AND RECOMMENDED FOR ENACTMENT IN ALL THE STATES
at its
ANNUAL CONFERENCE
MEETING IN ITS ONE-HUNDRED-AND-EIGHTH YEAR
IN DENVER, COLORADO
JULY 23 – 30, 1999
WITH PREFATORY NOTE AND COMMENTS
Copyright© 1999
By
NATIONAL CONFERENCE OF COMMISSIONERS ON UNIFORM STATE LAWS
SECTION 3. SCOPE

- (a) Except as otherwise provided in subsection (b), this [Act] applies to electronic records and electronic signatures relating to a transaction.
- (b) This [Act] does not apply to a transaction to the extent it is governed by:
- (1) a law governing the creation and execution of wills, codicils, or testamentary trusts;
 - (2) [The Uniform Commercial Code other than Sections 1-107 and 1-206, Article 2, and Article 2A];
 - (3) [the Uniform Computer Information Transactions Act]; and
 - (4) [other laws, if any, identified by State].

SECTION 16. TRANSFERABLE RECORDS

- (a) In this section, "transferable record" means an electronic record that:
- (1) would be a note under [Article 3 of the Uniform Commercial Code] or a document under [Article 7 of the Uniform Commercial Code] if the electronic record were in writing; and
 - (2) the issuer of the electronic record expressly has agreed is a transferable record.

Comment

1. Paper negotiable instruments and documents are unique in the fact that a tangible token – a piece of paper – actually embodies intangible rights and obligations. The extreme difficulty of creating a unique electronic token which embodies the singular attributes of a paper negotiable document or instrument dictates that the rules relating to negotiable documents and instruments not be simply amended to allow the use of an electronic record for the requisite paper writing. However, the desirability of establishing rules by which business parties might be able to acquire some of the benefits of negotiability in an electronic environment is recognized by the inclusion of this section on Transferable Records.

This section provides legal support for the creation, transferability and enforceability of electronic note and document equivalents, as against the issuer/ obligor. The certainty created by the section provides the requisite incentive for industry to develop the systems and processes, which involve significant expenditures of time and resources, to enable the use of such electronic documents.....

2. The definition of transferable record is limited in two significant ways.

First, only the equivalent of paper promissory notes and paper documents of title can be created as transferable records. Notes and Documents of Title do not impact the broad systems that relate to the broader payments mechanisms related, for example, to checks. Impacting the check collection system by allowing for "electronic checks" has ramifications well beyond the ability of this Act to address.

Accordingly, this Act excludes from its scope transactions governed by UCC Articles 3 and 4. The limitation to promissory note equivalents in Section 16 is quite important in that regard because of the ability to deal with many enforcement issues by contract without affecting such systemic concerns.....

Esign Act TITLE 15 > CHAPTER 96 > SUBCHAPTER I > § 7003

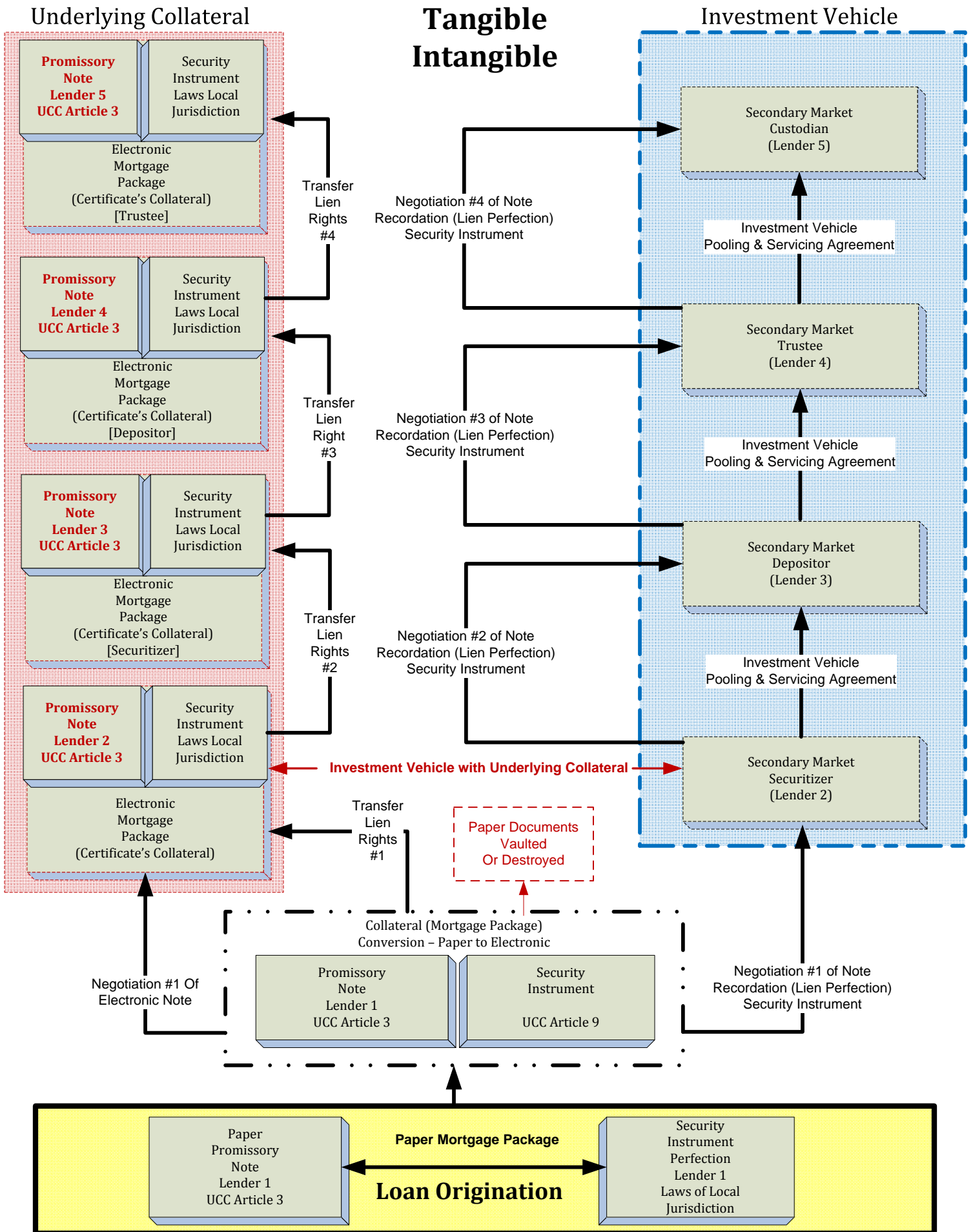
§ 7003. Specific exceptions

- (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.

Underlying Collateral Secondary Market Investment Vehicle



**Home Owner's
Paper Promissory Note
&
Security Instrument**

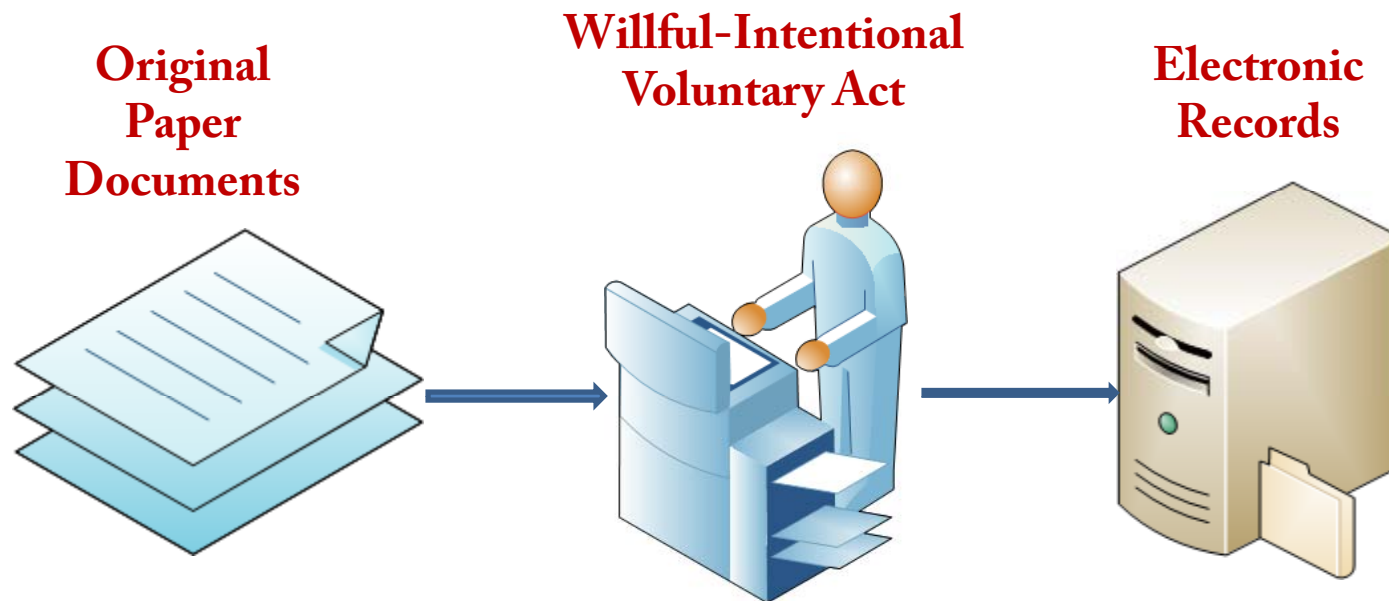
Where did it go?

**Paper
Promissory
Note**

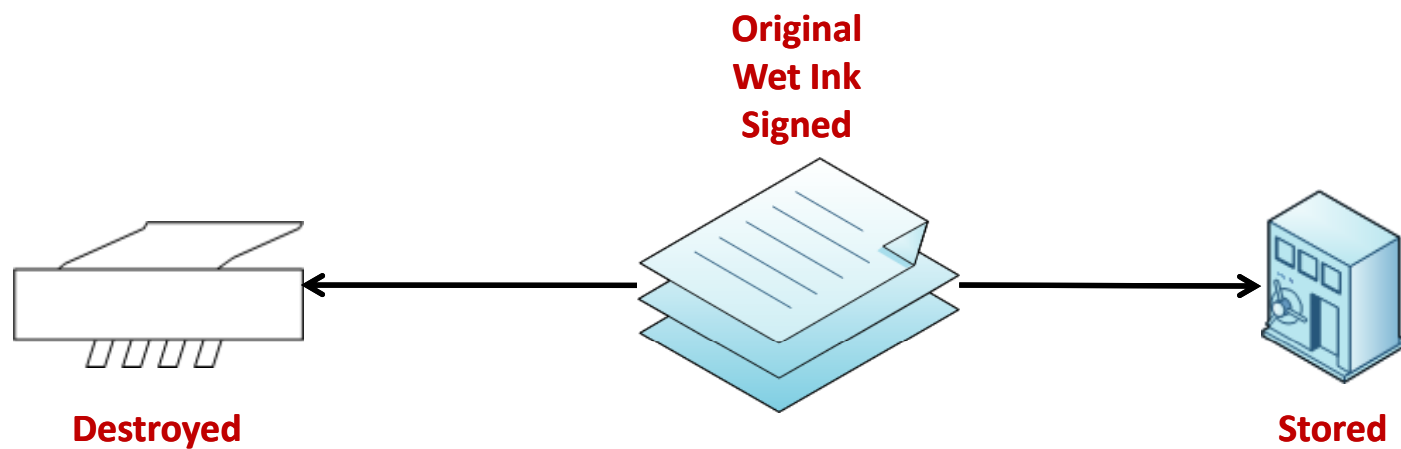


**Paper
Security
Instrument**

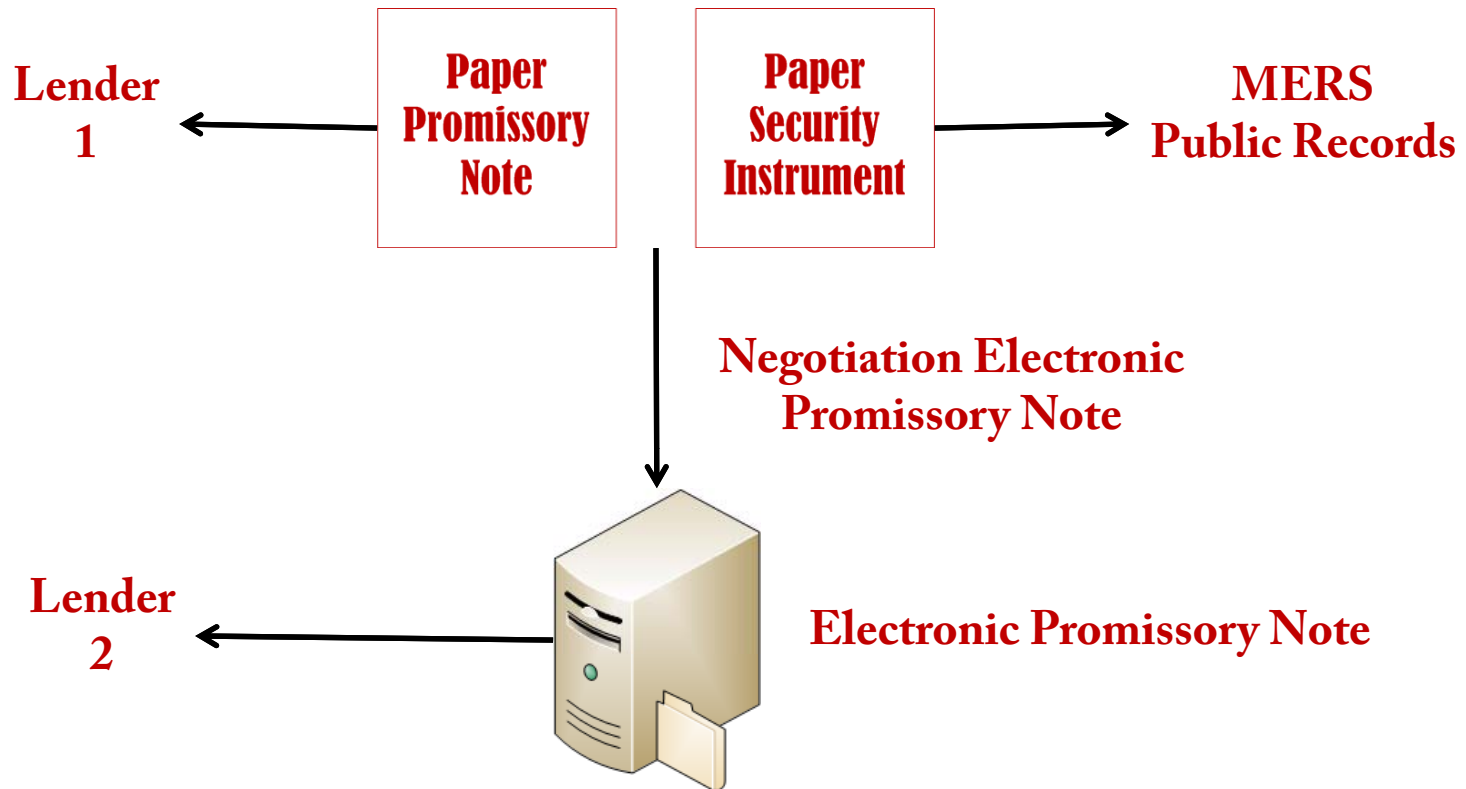
Wet Ink Signed Paper Closing



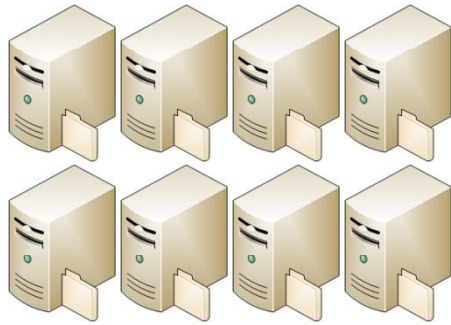
SCAN/COPY/STORE-DESTROY PAPER TO ELECTRONIC



Destroyed or Stored



MERS as Nominee (Security Instrument) Lender (Negotiable Instrument)



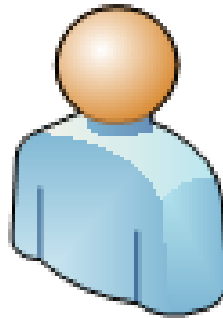
**Lender Combines
Additional Instruments
Electronic Collateral**



Mortgage Backed Security

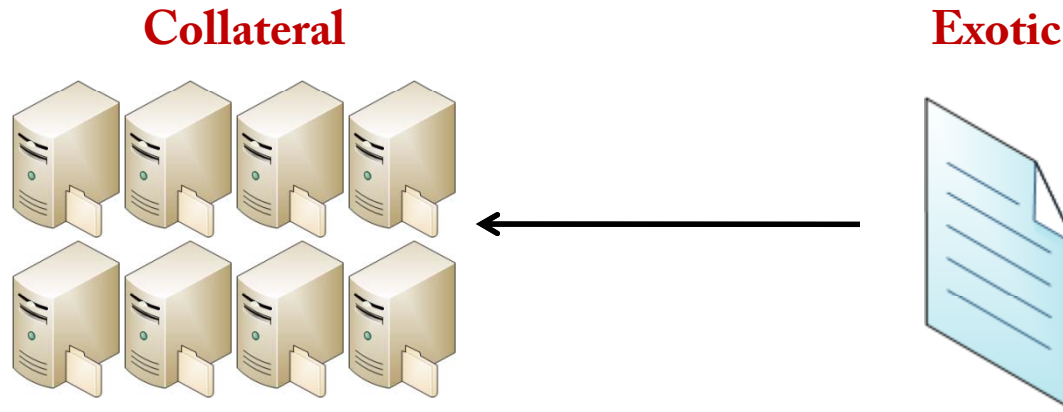
Mortgage Backed Security Owner of Electronic Promissory Note

Mortgage Backed Security



**Trustee Holds Electronic
Collateral for Benefit of
Certificate Owners**

Investment Vehicles



Investment Vehicle Collateral Electronic Documents

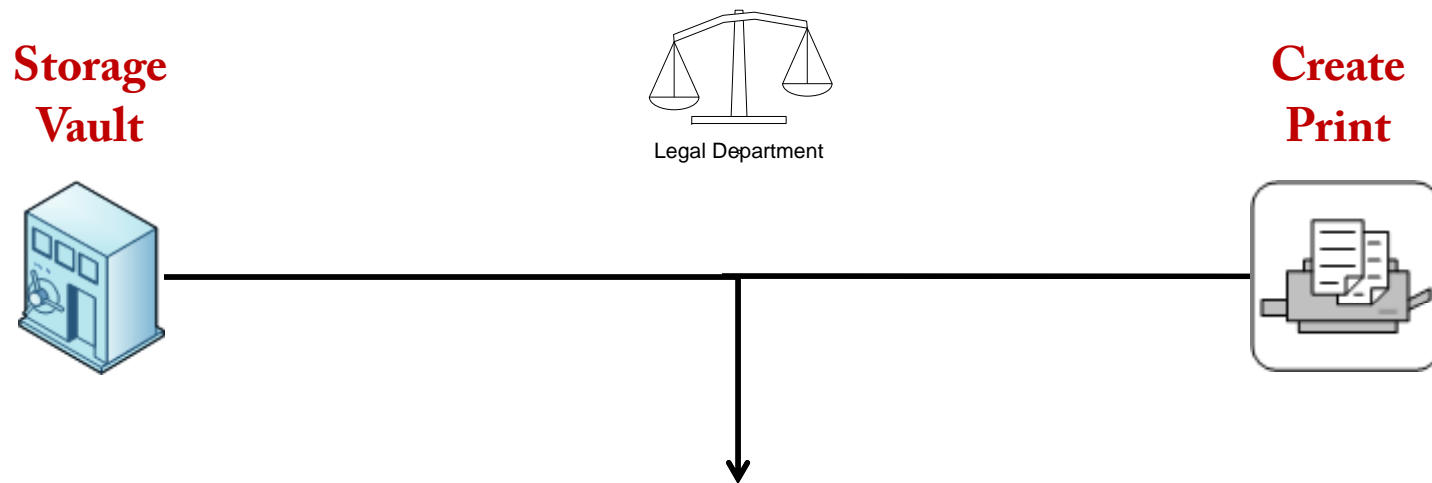
**Electronic
Promissory
Note**

**Electronic Negotiable Instruments
Lack Supporting Laws**

**Security
Instrument**

**Failure to Maintain Perfected Lien
(Public Records)**

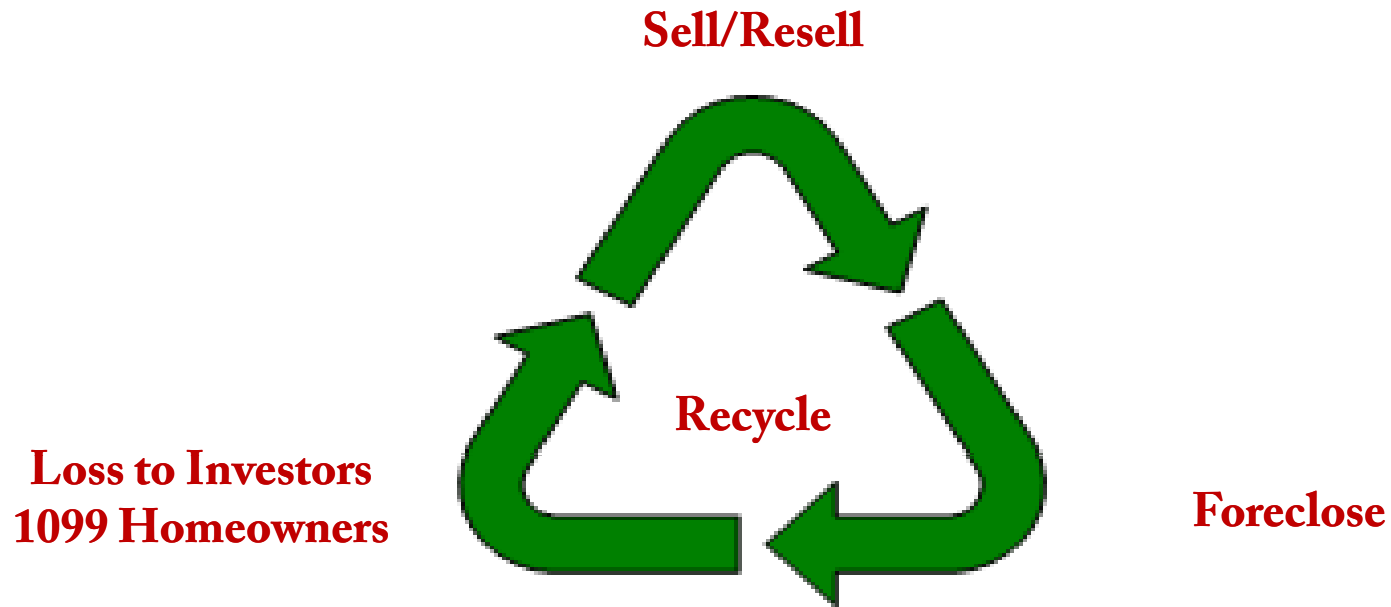
Homeowner/Bank Foreclosure The Banks Fight



**Notice of Assignments filed in Public Records
Created and Filed by Banks Law Firms to give Illusion Of Legality**

**Original Paper (When Available) Retrieved from Storage
When Originals Unavailable (Lost Note Affidavits Applied)
(Print Out of Electronic Digitized Electronic Promissory Note)**

**Banks Law Firms
Retrieve or Create
(Illusion of Legality)**



**Homeowner Collection Servicing Fee
Certificate Servicing Fee
Need More Servicing Fees
Need More Profit for the Pocket**

Do It To Me Again!

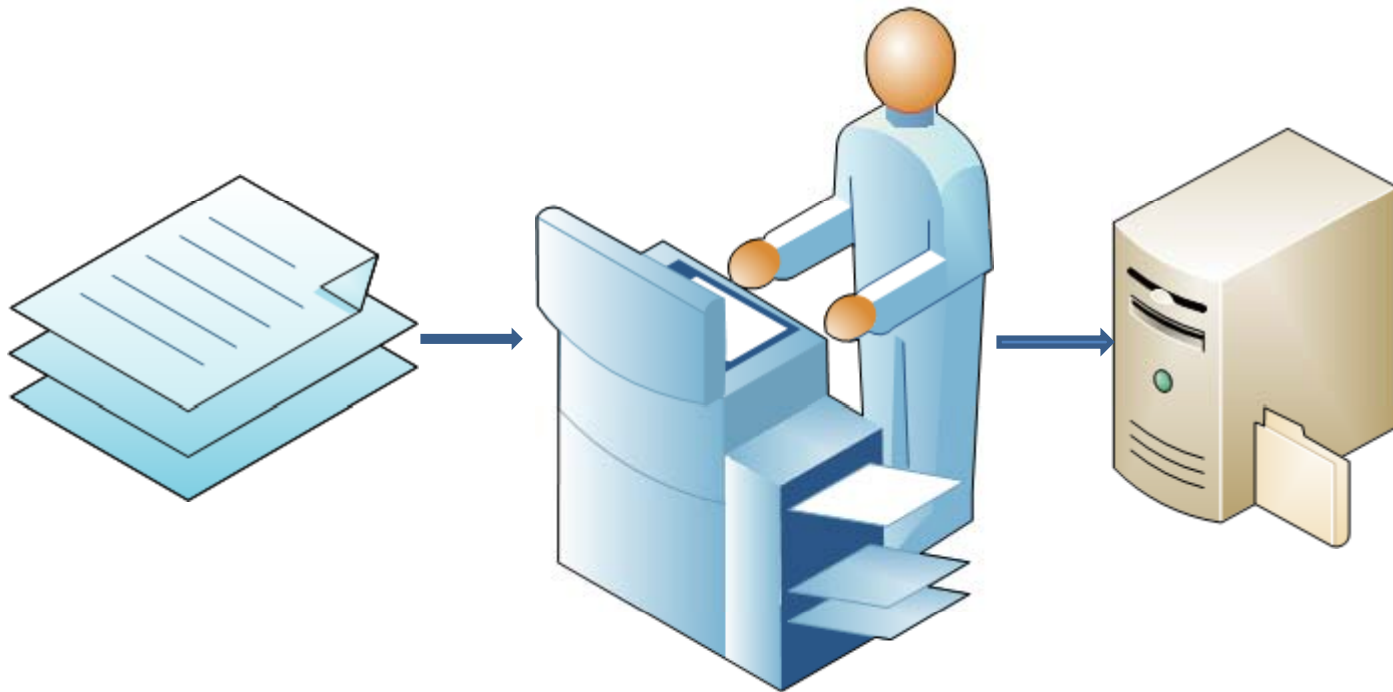
**Home Owner's
Paper Promissory Note
&
Security Instrument**

**Collateral in Mortgage Backed
Securities**

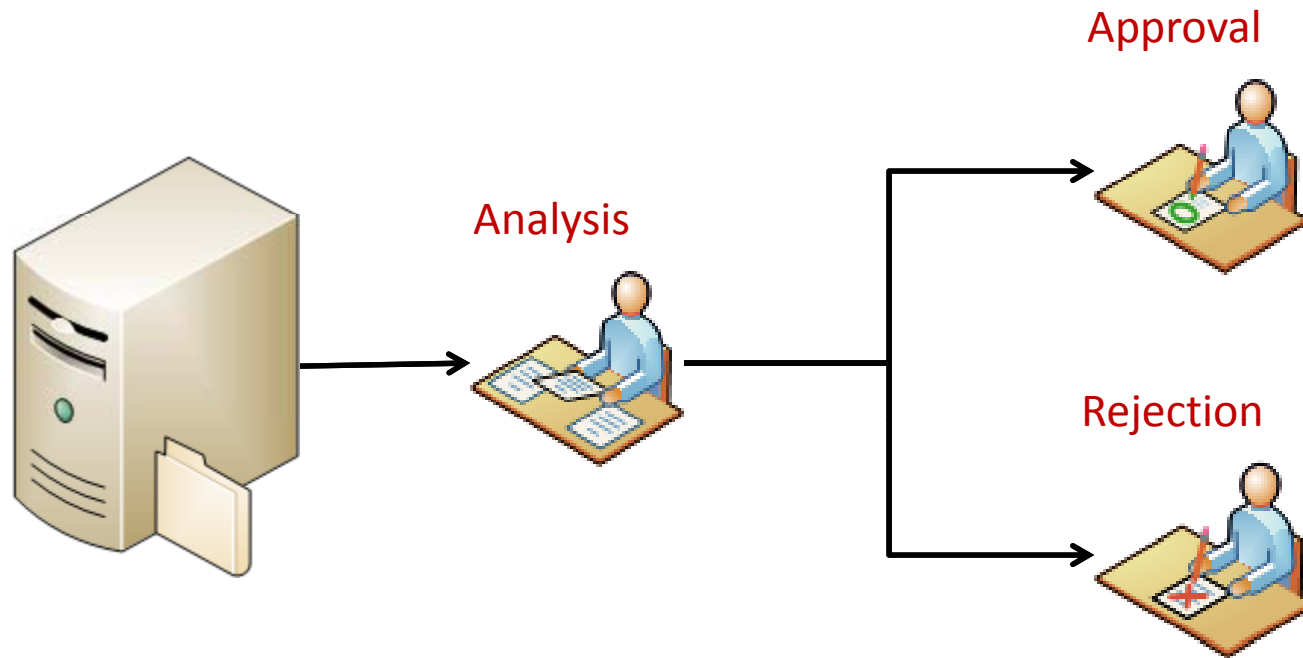
**Paper
Promissory
Note**

**Paper
Security
Instrument**

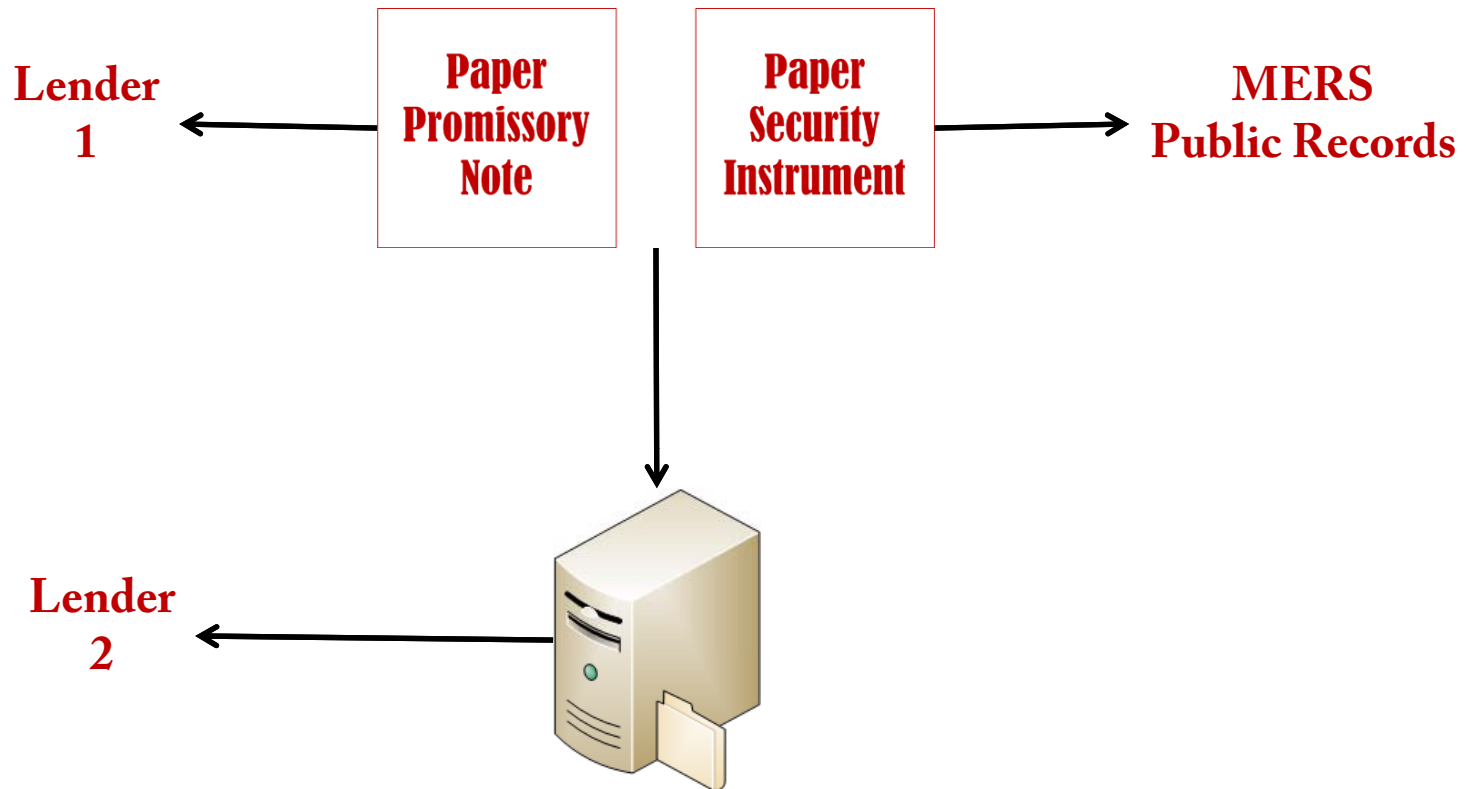
Wet Ink Signed Paper Closing



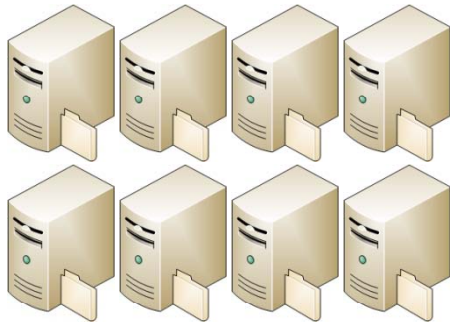
SCAN/COPY/STORE-DESTROY PAPER TO ELECTRONIC



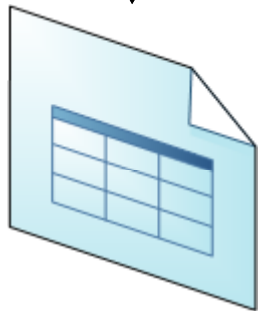
ELECTRONIC COPIES PROVIDED FOR ANALYSIS TO RATING AGENCIES



MERS as Nominee

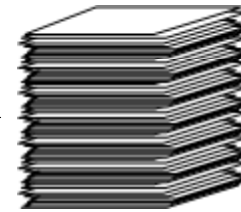


Electronic Collateral



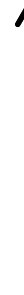
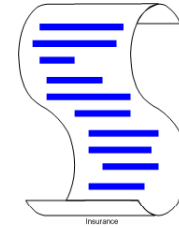
Mortgage Backed Security

(Exotic Carrier Evaluates
Electronic Furnished Copies)



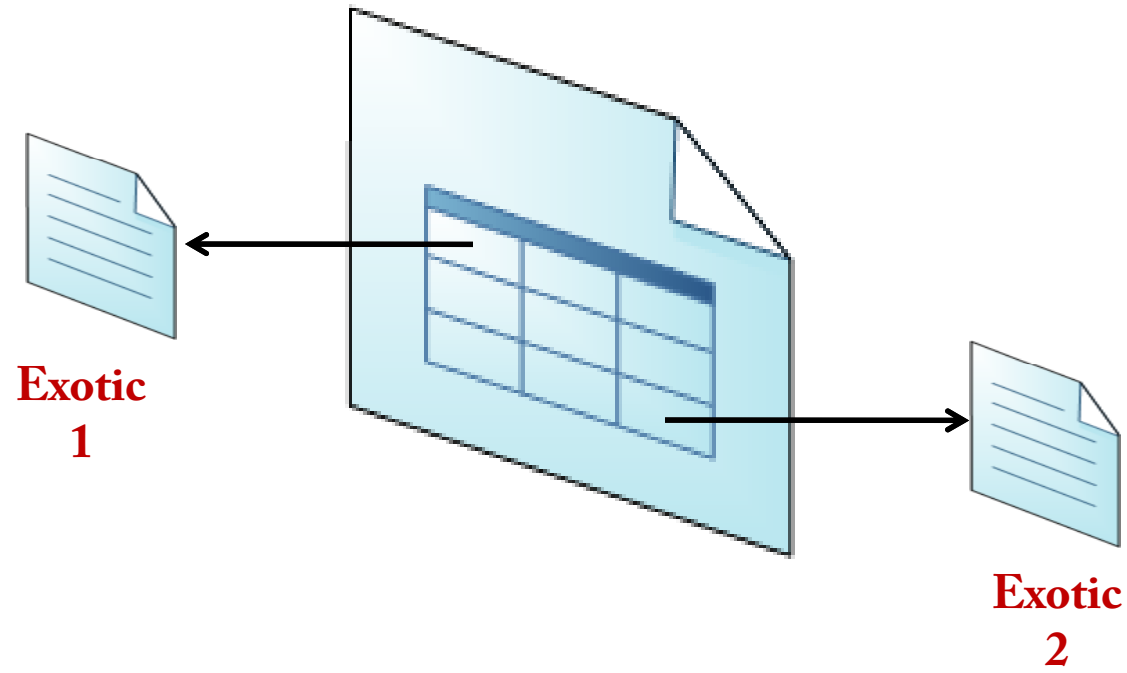
**Insurance
Carrier**

Insurance Policy



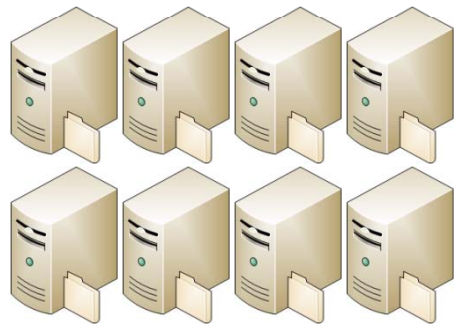
Aggregated Mortgage Pool

Mortgage Backed Security



Default Investment Vehicles

Collateral



Exotic



Exotic Collateral - Electronic

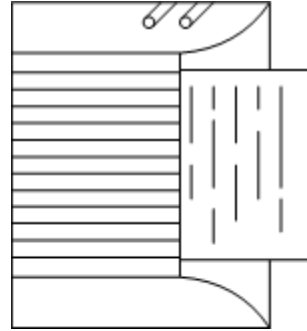
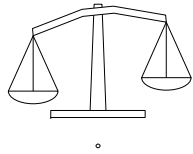
**Electronic
Promissory
Note**

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Lack Supporting Laws**

**Security
Instrument**

**Failure to Maintain Perfected Lien
(Public Records)**

Homeowner/Bank Foreclosure The Banks Fight



**Notice of Assignments filed in Public Records
Created and Filed by Banks Law Firms to give Illusion Of Legality
(Fraud upon Public Records)
If Filed in Court
(Fraud upon the Court)**

Bank's Law Firms Create Documents (Illusion of Legality)

Mortgage Electronic Registration Systems, Inc. (MERS): Its Impact on The Credit Quality of First-Mortgage Jumbo MBS Transactions

Although in many states the assignment of mortgage does not have to be recorded when the note is transferred, there are some states that require the assignment of mortgage to be recorded so that the buyer of the loan is protected against subsequent transferees and creditors of the seller of the mortgage. There are also some states where the law is uncertain as to the protection afforded loan buyers against subsequent transferees and creditors of the loan seller.

The name of the beneficial owner of the mortgage will not be a matter of public record. The language in the mortgage or assignment of mortgage will read as follows: "MERS, solely as nominee for Lender (as hereinafter defined), as beneficiary, and its successors and assigns." If MERS is named in a mortgage or assignment of mortgage, MERSCORP requires that those instruments will have to be recorded in the public recording offices.

The original note will be in the possession of the trustee in the MBS transactions. Generally, MERS will not be named on the note or the endorsement of the note.

Under common law principles, the mortgage is valid even though the name on the note is different than the name on the mortgage. The concept of undisclosed agency in business transactions has been around for a long time. The recording system has been set up to provide notice of security interests, but not necessarily the identity of the secured parties.

Moody's Investor Services Comments (1999) Excerpts