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The
“Closing”

Loan Origination

- Deed
- Promissory Note
- Security Instrument

Warranty Deed Title To Property

**Transfers Title of Real Estate
Property/House**

Seller to Buyer

- **Title to Property is required to grant Title in the Security Instrument to be held by the Trustee named in the Security Instrument as Security to the Promissory Note.**

Security Instrument
Deed of Trust - Mortgage
Security Deed

Security Instrument
Deed of Trust
Mortgage
Security Deed

Security Instrument

- The document that secures to the Lender/Beneficiary a security interest in the Real Estate as collateral for payment of the indebtedness.

Security Instrument

- The three parties that are required to be named on the Security Instrument.
 - Borrower
 - Lender/Beneficiary
 - Trustee
- Trustee holder in Trust for the Lender only in event of Default

Promissory Note
Negotiable Instrument
Indebtedness

Negotiable Instrument

Negotiability Required
Secondary Market (MBS)
Fannie Mae/Freddie Mac

UCC Article 3 Governs

The Loan Has “Closed”

With Lender 1

**Warranty Deed
Title To Property**

**Deed
Filed in Public Records
Notice to the World**

Title to Real Estate Transferred to Buyer

Security Instrument
Deed of Trust - Mortgage
Security Deed

Security Instrument
Filed in Public Records
Lien Perfection/Laws of Local Jurisdiction

Secondary Benefit for Creditors
Filed For Priority

Security Instrument
Deed of Trust - Mortgage
Security Deed

Lender 1 takes Possession
Paper Security Instrument

Upon return from Public Records

Promissory Note
Negotiable Instrument
Indebtedness

Lender 1 takes possession

Paper Promissory Note

**Promissory Note
Negotiable Instrument
Indebtedness**

**Security Instrument
Deed of Trust - Mortgage
Security Deed**

**The
Paper Mortgage Package
Paper Promissory Note
&
Paper Security Instrument**

The First Sale

Paper Mortgage Package

Negotiation of the
Paper Negotiable Instrument



**Promissory Note
Negotiable Instrument
Indebtedness**

**Security Instrument
Deed of Trust - Mortgage
Security Deed**

**Lender 1 submits the
Paper Mortgage Package
under cover of Bailee's Letter
to perspective buyer**

**Promissory Note
Negotiable Instrument
Indebtedness**

**Security Instrument
Deed of Trust - Mortgage
Security Deed**

**Buyer
Accepts or Rejects
the offering**

**Promissory Note
Negotiable Instrument
Indebtedness**

**Security Instrument
Deed of Trust - Mortgage
Security Deed**

**If Buyer Rejects
The Paper Mortgage Package
is returned to Lender 1**

**Promissory Note
Negotiable Instrument
Indebtedness**

**Security Instrument
Deed of Trust - Mortgage
Security Deed**

**If Buyer (Lender 2) Accepts
the Paper Mortgage Package
Payment is tendered to Lender 1
(Lender 2-Seller/Securitizer Investment Vehicle)**

**Promissory Note
Negotiable Instrument
Indebtedness**

Lender 2 takes possession
of the Promissory Note with
indorsements reflecting
negotiation of the paper
negotiable instrument

Security Instrument
Deed of Trust - Mortgage
Security Deed

Lender 2 takes Possession
Paper Security Instrument

Files Public Records

Notice of Assignment to transfer liens rights to Lender 2
Reflecting negotiation of the
Paper Negotiable Instrument

**Security Instrument
Deed of Trust - Mortgage
Security Deed**

**Failure to File
Notice of Assignment
Public Records
(Laws of Local Jurisdiction)**

**Continuous Lien Perfection Lost
Security Instrument Becomes a Nullity**

The Second Sale Of the Paper Mortgage Package

Negotiation of the
Paper Negotiable Instrument



**Promissory Note
Negotiable Instrument
Indebtedness**

**Security Instrument
Deed of Trust - Mortgage
Security Deed**

**Lender 2 submits the
Paper Mortgage Package
under cover of Bailee's Letter
to perspective buyer**

Promissory Note
Negotiable Instrument
Indebtedness

Security Instrument
Deed of Trust - Mortgage
Security Deed

Buyer
Accepts or Rejects
the offering

**Promissory Note
Negotiable Instrument
Indebtedness**

**Security Instrument
Deed of Trust - Mortgage
Security Deed**

**If Buyer Rejects
The Paper Mortgage Package
is returned to Lender 2**

**Promissory Note
Negotiable Instrument
Indebtedness**

**Security Instrument
Deed of Trust - Mortgage
Security Deed**

**If Buyer (Lender 3) Accepts
the Paper Mortgage Package
Payment is tendered to Lender 2
(Lender 3 – Depositor Investment Vehicle)**

**Promissory Note
Negotiable Instrument
Indebtedness**

Lender 3 takes possession
of the Paper Promissory Note
with indorsements reflecting
negotiation of the paper
negotiable instrument

Security Instrument
Deed of Trust - Mortgage
Security Deed

Lender 3 takes Possession
Paper Security Instrument

Files Public Records

Notice of Assignment to transfer liens rights to Lender 3
Reflecting negotiation of the
Negotiable Instrument

**Security Instrument
Deed of Trust - Mortgage
Security Deed**

**Failure to File
Notice of Assignment
Public Records
(Laws of Local Jurisdiction)**

**Continuous Lien Perfection Lost
Security Instrument Becomes a Nullity**

**The
Third Sale
Of the
Paper Mortgage Package**

**Negotiation of the Paper Negotiable
Instrument**



**Promissory Note
Negotiable Instrument
Indebtedness**

**Security Instrument
Deed of Trust - Mortgage
Security Deed**

**Lender 3 submits the
Paper Mortgage Package
under cover of Bailee's Letter
to perspective buyer**

**Promissory Note
Negotiable Instrument
Indebtedness**

**Security Instrument
Deed of Trust - Mortgage
Security Deed**

**Buyer
Accepts or Rejects
the offering**

**Promissory Note
Negotiable Instrument
Indebtedness**

**Security Instrument
Deed of Trust - Mortgage
Security Deed**

**If Buyer Rejects
The Paper Mortgage Package
is returned to Lender 3**

**Promissory Note
Negotiable Instrument
Indebtedness**

**Security Instrument
Deed of Trust - Mortgage
Security Deed**

**If Buyer (Lender 4) Accepts
the Paper Mortgage Package
Payment is tendered to Lender 3
(Lender 4 – Trustee Investment Vehicle)**

**Promissory Note
Negotiable Instrument
Indebtedness**

**Lender 4 takes possession
of the Paper Promissory Note
with indorsements reflecting
negotiation of the negotiable
instrument**

**Security Instrument
Deed of Trust - Mortgage
Security Deed**

**Lender 4 takes Possession
Paper Security Instrument**

Files Public Records

**Notice of Assignment to transfer liens rights to Lender 4
Reflecting negotiation of the
Negotiable Instrument**

**Security Instrument
Deed of Trust - Mortgage
Security Deed**

**Failure to File
Notice of Assignment
Public Records
(Laws of Local Jurisdiction)**

**Continuous Lien Perfection Lost
Security Instrument Becomes a Nullity**

**The
Fourth Sale
Of the
Paper Mortgage Package**

**Negotiation of the Paper Negotiable
Instrument**



**Promissory Note
Negotiable Instrument
Indebtedness**

**Security Instrument
Deed of Trust - Mortgage
Security Deed**

**Lender 4 submits the
Paper Mortgage Package
under cover of Bailee's Letter to
perspective buyer**

**Promissory Note
Negotiable Instrument
Indebtedness**

**Security Instrument
Deed of Trust - Mortgage
Security Deed**

**Buyer
Accepts or Rejects
the purchase**

**Promissory Note
Negotiable Instrument
Indebtedness**

**Security Instrument
Deed of Trust - Mortgage
Security Deed**

**If Buyer Rejects
The Paper Mortgage Package is
returned to Lender 4**

**Promissory Note
Negotiable Instrument
Indebtedness**

**Security Instrument
Deed of Trust - Mortgage
Security Deed**

**If Buyer (Lender 5) Accepts
the Paper Mortgage Package
Payment is tendered to Lender 3
(Lender 5 – Custodian Investment Vehicle)**

**Promissory Note
Negotiable Instrument
Indebtedness**

**Lender 5 takes possession
of the Paper Promissory Note
with indorsements reflecting
negotiation of the negotiable
instrument**

**Security Instrument
Deed of Trust - Mortgage
Security Deed**

**Lender 5 takes Possession
Paper Security Instrument**

Files Public Records

**Notice of Assignment to transfer liens rights to Lender 5
Reflecting negotiation of the
Negotiable Instrument**

**Security Instrument
Deed of Trust - Mortgage
Security Deed**

**Failure to File
Notice of Assignment
Public Records
(Laws of Local Jurisdiction)**

**Continuous Lien Perfection Lost
Security Instrument Becomes a Nullity**

**Alleged
Indebtedness
Default**

**Promissory Note
Negotiable Instrument
Indebtedness**

**Security Instrument
Deed of Trust - Mortgage
Security Deed**

**Paper Mortgage Package
Transferred to Law Firm**

By

**Lender 4 - Trustee for benefit of
Lender 5 – Investment Vehicle**

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The
“Closing”

Loan Origination

- Deed
- Promissory Note
- Security Instrument

Warranty Deed Title To Property

Transfers Title of Real Estate
Property/House

Seller to Buyer

- **Title to Property is required to grant Title in the Security Instrument to be held by the Trustee named in the Security Instrument as Security to the Promissory Note.**

Security Instrument
Deed of Trust - Mortgage
Security Deed

Security Instrument
Deed of Trust
Mortgage
Security Deed

Security Instrument

- The document that secures to the Lender/Beneficiary a security interest in the Real Estate as collateral for payment of the indebtedness.

Security Instrument

- Four parties named on the Security Instrument.
 - Borrower
 - MERS/Beneficiary
 - Trustee
 - MERS as “Nominee”
 - Trustee holder in Trust for the Lender only in event of Default

**Promissory Note
Negotiable Instrument
Indebtedness**

Negotiable Instrument

Negotiability Required
Secondary Market (MBS)
Fannie Mae/Freddie Mac

UCC Article 3 Governs

The Loan Has

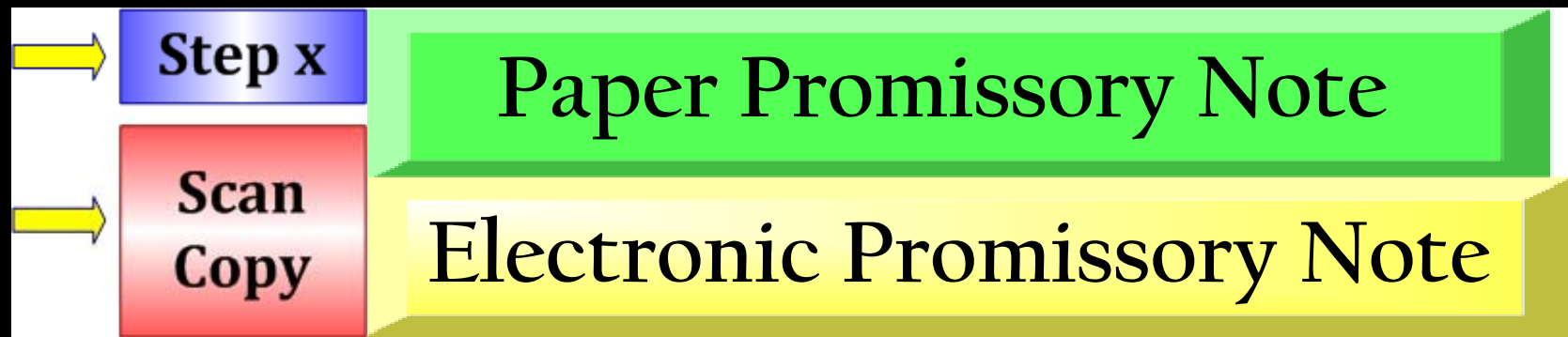
“Closed”

With Lender 1

**Warranty Deed
Title To Property**

**Paper Deed or Electronic Copy
Filed in Public Records
Notice to the World**

Title to Real Estate Transferred to Buyer



Lender 1 takes possession
Paper Promissory Note

Converts to Electronic
Negotiable Instrument

(Electronic Negotiable Instrument Lacks Supporting Laws)



Lender 1 takes possession
Paper Security Instrument

Converts to Electronic
Security Instrument

**Promissory Note
Negotiable Instrument
Indebtedness**

Paper Negotiable Instrument
Vaulted

Custodian has Possession
Or
Destroyed

Electronic Security Instrument

Electronic Copy
Security Instrument
Filed in Public Records
Invalid Lien Perfection/Laws of Local
Jurisdiction

15 USC 7003 – Exempts UCC Article 9

Security Instrument
Deed of Trust - Mortgage
Security Deed

Security Instrument Vaulted

Custodian has Possession

Or

Destroyed

Electronic Promissory Note

Electronic Security Instrument

The Electronic
Mortgage Package
Electronic Promissory Note
&
Electronic Security Instrument

Electronic Promissory Note

Electronic Security Instrument

The Electronic
Mortgage Package
Beneficial Ownership
Registered in the MERS Registry

The
First Sale
Of the
Electronic Mortgage
Package to
Lender 2 (Seller/Securitizer)

Negotiation of the
Electronic Negotiable Instrument
(Lacks Supporting Laws)

Electronic Promissory Note

Electronic Security Instrument

The Electronic
Mortgage Package
Beneficial Ownership
Updated in the MERS Registry

The
Second Sale
Of the
Electronic Mortgage
Package to
Lender 3 (Depositor)

Negotiation of the
Electronic Negotiable Instrument
(Lacks Supporting Laws)

Electronic Promissory Note

Electronic Security Instrument

The Electronic
Mortgage Package
Beneficial Ownership
Updated in the MERS Registry

The
Third Sale
Of the
Electronic Mortgage
Package to
Lender 4 (Trustee)

Negotiation of the
Electronic Negotiable Instrument
(Lacks Supporting Laws)

Electronic Promissory Note

Electronic Security Instrument

The Electronic
Mortgage Package
Beneficial Ownership
Updated in the MERS Registry

The
Fourth Sale
Of the
Electronic Mortgage
Package to
Lender 5 (Custodian for Trust)

Negotiation of the
Electronic Negotiable Instrument
(Lacks Supporting Laws)

Electronic Promissory Note

Electronic Security Instrument

The Electronic
Mortgage Package
Beneficial Ownership
Updated in the MERS Registry

Indebtedness Default

Lacks Valid Holder In Due Course
Lacks Valid Security Instrument

Notice of Assignment

Lender 1 to Lender 4
Filed Public Records
Fraudulent Filing

Electronic Promissory Note

Electronic Security Instrument

The Electronic
Mortgage Package
&
Business Affidavit
Provided to Law Firm
To
Execute Foreclosure

Electronic Promissory Note

Electronic Security Instrument

Unlawful Electronic
Negotiable Instrument

Perfection of Security
Instrument - Nullity

Unlawful Foreclosure

Investor Note

Collateral
Worthless