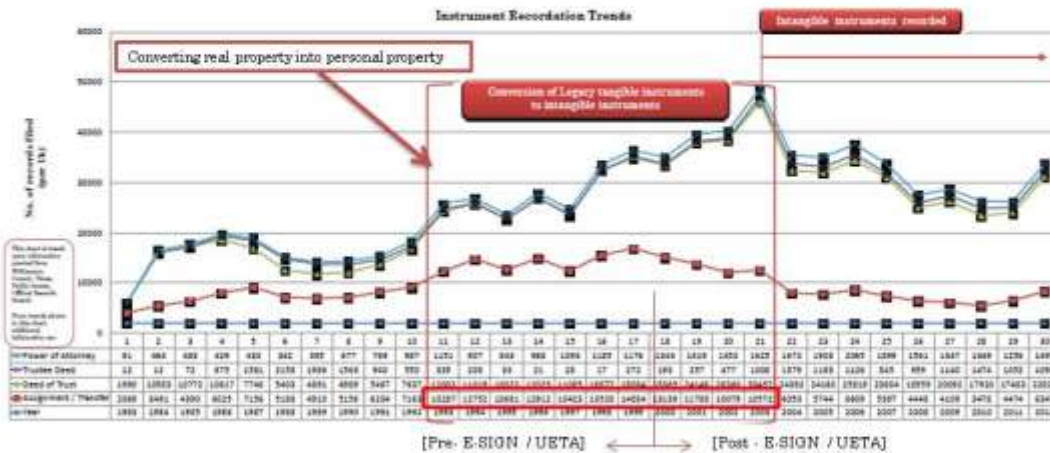


## Hocus Pocus?

This is "The magic trick", the "Or Interest In" eScheme that is used, and has been used for many years by MERS/GSE members. Yes, MERS and GSE's are apparent prior to Y2K.

And the way it appears even to this day, Congress supports this illusion. It appears that several states agree also?



(From actual public records research)

Click to proceed

I challenge you to accomplish this research also, so you will know when it started in your county.

## What will this presentation will do for you?

I must apologize for not realizing sooner that many people do not know the difference between a *tangible security instrument* and an *intangible security instrument*.

The following slides in this updated presentation will provide the support for what is written in this slide presentation, and the previous version of "MERS Magic Trick":

1. Show how the *tangible security instrument* once worked and still does if used.
2. The *certain* wording explained in the *intangible security instrument* being recorded in public land records.
3. Provide laws related to both the *tangible instruments* and the *intangible instruments*.
4. Provide the explanation of how the *intangible security instrument* is used in place of a *tangible security instrument* to create a separate intangible obligation created by MERS/GSE members.
5. Provide explanation of how an *intangible security instrument* creates an intangible transferable record.
6. Provide explanation of how the value of the *once tangible note* is transferred to an electronic promissory note.
7. Explain how the Secretary of state filings are being bypassed.

## Renew your mind

If you continue with a *blinder affect* in your mind, and keep thinking that a security instrument is a security instrument, you could be correct, but you may really be misunderstanding the difference between the black and the white.

Look back 30 years in public land records and read a recorded *tangible* security instrument [deed of trust]. Here is an [example\[Set correct hyperlink\]](#) of a *tangible* security instrument to help you better understand the difference between [the white] a *tangible* security instrument and [the black] *intangible* security instrument.

One big difference, you may realize with the [the white] *tangible* security instrument, is that it consisted of 5-9 pages. How many pages are in the Fannie Mae or MERS [the black] *intangible* security instruments?

Next, understand what "or interest in" really means and clear the fog of thinking this "interest in" is meant the way it was in a [the white] *tangible* security instrument.

Find it here: [http://trilliondollarfaber.com/docs/Example\\_HUD\\_Tangible\\_5/4620.pdf](http://trilliondollarfaber.com/docs/Example_HUD_Tangible_5/4620.pdf)  
the Note

3

## Tangible Obligee

### Back then, it was one Obligee

As mentioned previously, in the days of old, the *tangible* borrower's payment stream consisted of each, the *principal* and the *interest* that were paid to the *one* lender.

If the *one* lender decided to *sell* the borrower's secured obligation to a another lender, a *subsequent* buyer, purchaser, the *subsequent* purchaser would notify the *borrower* that the *subsequent* purchaser would now be the obligee, or creditor the *borrower* would pay the combined *principal* and *interest* payment amounts to. However, this was the obligation that is recited in the security instrument, and in the days of old, both the note and the mortgage were combined into the security instrument.

In Texas, for a *subsequent* purchaser to continue the perfection of the chain of title for the *security instrument*, the *subsequent* purchaser would record *another* security instrument that contained wording to reflect that the *subsequent* purchaser was now the *secured creditor* for the *principal* and *interest* payment stream from the *borrower* and should the *borrower* fail to fulfill the *payment stream*, the *subsequent* purchaser, as a *secured creditor of record*, could enforce the remedies contained in the *security instrument*.

If the *subsequent* purchaser, failed to timely and properly record a *security instrument* to reflect the *subsequent* purchaser as a *subsequent secured creditor* of record, the *subsequent* purchaser is only considered a *non-secured creditor* because official public land records only reflected the *one* lender as being a party to the *borrower's security instrument*.

This process is no different today, my friends.

Click to proceed

4

## In the *Days of Old?*

Using the *tangible* security instrument, similar to the *example* [referenced in slide 3], the masses have accepted that this operation, according to contract was lawful. Maybe because it was, and is being used by the bankers association's members for many years prior. We will begin the collateralized indebtedness with the combined *tangible* note and security instrument

The following is a demonstration of creating a *tangible*, indebtedness, secured by real property as a security for the indebtedness.



Click to proceed



Step 1:

Take the combined note and security instrument and place it into an envelope labeled "Mortgage Loan".

At this step, the note is temporarily secured

5

## Hocus Pocus?

Step 2(a):

The paper note and security instrument placed into the same envelope labeled "Mortgage Loan" is considered a secured debt.

Click to proceed

Step 2(b):

The envelope labeled "Mortgage Loan" contains the combined *tangible* note and security instrument, which holds a *temporary* perfection and *secured* status.

Click to proceed



Step 3:

For the "Mortgage Loan" envelope to be considered *permanently* perfected, the named party as Grantee *would* record the *tangible* security instrument in public land records, (in the county where the real property is located), to provide constructive notice that the Grantee is the Secured Creditor of Record.

Click to proceed

6

## Intangible Obligor?

Today, it is different

In recent years, the *tangible* borrower's payment stream for the *principal* and the *interest*, that were once paid to *one* lender, were and are converted into *intangible* payment streams which allow the splitting of the "interest in" into *intangible principal only* interest in payment stream and *intangible interest only*, interest in payment stream for many investors.

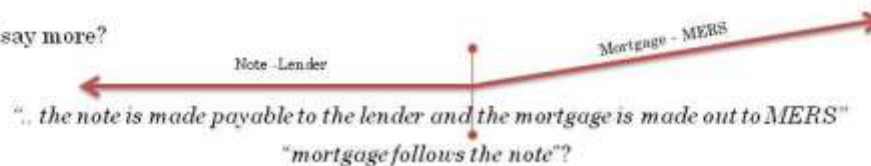
But, all of this "interest" pertains to the purported *tangible* Note, of which the security instrument only reiterates what is described in a contract called a Note.

What MERS/GSE members do today with *intangible* security instruments, cannot be logically or lawfully supported.

What MERS/GSE members attempt to accomplish defies age old case law, *Carpenter v. Longan* [U.S. Sup. Ct], and in Texas, *West v. First Baptist Church of Taft*, [Tex. Sup. Ct.] that made it clear the "mortgage follows the note".

It is written "In a typical MERS loan origination, the note is made payable to the lender and the mortgage is made out to MERS as "nominee" for the lender."

Need I say more?



7

## What will this presentation will do for you?

Many people do not know the difference between a *tangible* security instrument and an *intangible* security instrument. This should clear up the confusion.

The slides in this updated presentation will provide the support for what is written in this slide presentation, and the previous version of "MERS Magic Trick":

1. Show how the *tangible* security instrument once worked and still does if used.
2. The *certain* wording explained in the *intangible* security instrument being recorded in public land records.
3. Provide laws related to both the *tangible* instruments and the *intangible* instruments.
4. Provide the explanation of how the *intangible* security instrument is used in place of a *tangible* security instrument to create a separate intangible obligation created by MERS/GSE members.
5. Provide explanation of how an *intangible* security instrument creates an intangible transferable record.
6. Provide explanation of how the value of the *once* tangible note is transferred to an electronic promissory note.
7. Explain how the Secretary of state filings are being bypassed.

8

## Hocus Pocus?

This is the tool MERS/GSE members utilize for the magic trick.

**Question:** Do you understand what this "intangible" covenant wording means?

Do you understand what this intangible security instrument induces a signer to do?

**DEED OF TRUST**  
**UNIFORM COVENANTS** Borrower and Lender covenant and agree as follows:  
[COVENANT # 20; page 3 of 17]

**20. Sale of Note; Change of Loan Servicer; Notice of Grievance.** The Note or a partial interest in the Note (together with this Security Instrument) can be sold one or more times without prior notice to Borrower.

(Form 3044) TEXAS--Single Family--Fannie Mae/Freddie Mac UNIFORM INSTRUMENT page 3 of 17  
(This wording can be found in the many intangible MERS, Fannie Mae security instruments)

*"a partial interest in the Note (together with this Security Instrument)?"*  
(Do you want to buy some wooden nickels?)

**Answer:** "Covenant 20" wording creates a transferable record!

Click to proceed

## TEXAS E-SIGN, UETA

*"a partial interest in the Note (together with this Security Instrument)?"*  
(Do you want to buy some wooden nickels?)

"Covenant 20" wording creates a transferable record!

**TEXAS BUSINESS AND COMMERCE CODE** [My states equivalent of UCC, (check your states)]

### CHAPTER 322. UNIFORM ELECTRONIC TRANSACTIONS ACT

Sec. 322.001. SHORT TITLE. This chapter may be cited as the Uniform Electronic Transactions Act.

Source: <http://www.statutes.legis.state.tx.us/Docs/BC/html/EC.322.htm#322.001>

**Sec. 322.016. TRANSFERABLE RECORDS.** (a) In this section,

"transferable record" means an electronic record that

(1) *would be a note under Chapter 3, or a document under Chapter 7, if the electronic record were in writing; and*

(2) *the issuer of the electronic record expressly has agreed is a transferable record.*

Source: <http://www.statutes.legis.state.tx.us/Docs/BC/html/EC.322.htm#322.016>

Click to proceed

## TEXAS E-SIGN, UETA

*"a partial interest in the Note (together with this Security Instrument)?"*  
(Do you want to buy some wooden nickels?)

TEXAS BUSINESS AND COMMERCE CODE [My states equivalent of UCC, (check your states)]

### CHAPTER 322. UNIFORM ELECTRONIC TRANSACTIONS ACT

- Sec. 322.003. SCOPE. (a) Except as otherwise provided in Subsection (b), this chapter applies to electronic records and electronic signatures relating to a transaction.
- (b) This chapter 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; or
  - (2) the Uniform Commercial Code, other than Sections 1.107 and 1.206 and Chapters 2 and 2A.
- (c) This chapter applies to an electronic record or electronic signature otherwise excluded from the application of this chapter under Subsection (b) when used for a transaction subject to a law other than those specified in Subsection (b).
- (d) A transaction subject to this chapter is also subject to other applicable substantive law.

Source: [http://www.statutes.legis.state.tx.us/Docs/BC/htm/BC\\_322.htm#322.003](http://www.statutes.legis.state.tx.us/Docs/BC/htm/BC_322.htm#322.003)

11

Click to proceed

## Hocus Pocus?

By MERS/GSE members using this *intangible* "Or interest in" magic trick, the masses have thought that their operation, according to contract was lawful? Maybe because it was, and is being used by MERS/GSE members for many years? a.k.a. "Too big to fail" members. Quiz at the end.

The following is a demonstration of creating an *intangible*, indebtedness, secured by real property as a security for the indebtedness.



Step 1: [This is what you think you know]

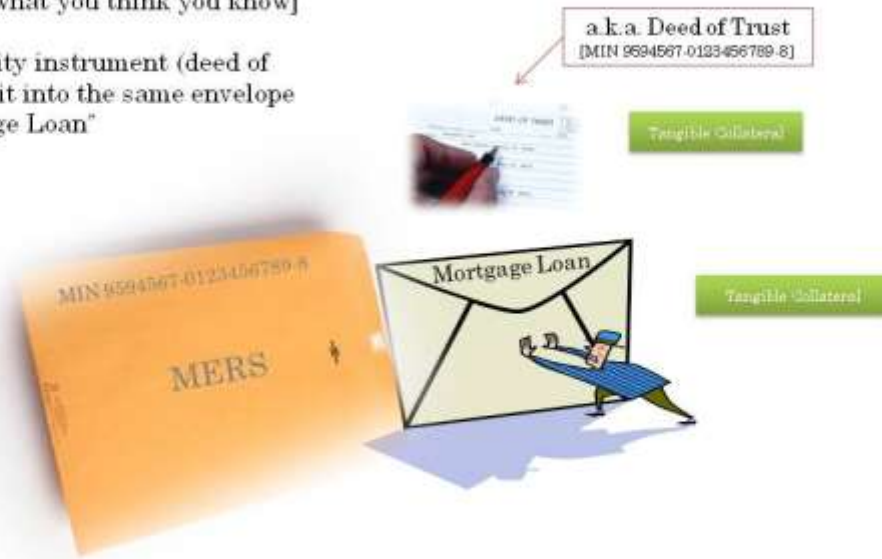
The paper note is placed into an envelope labeled "Mortgage Loan"

12

## Hocus Pocus?

Step 2: [This is what you think you know]

The paper security instrument (deed of trust) is placed into the same envelope labeled "Mortgage Loan"



At this stage, the placement of the alleged *tangible* paper note and security instrument into the envelope labeled "Mortgage Loan" appears to be where the masses lose sight?

Click to proceed

13

## Hocus Pocus?

Step 2(a):

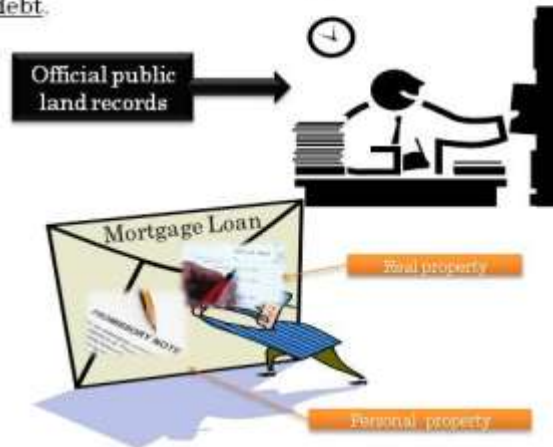
The paper note and security instrument placed into the same envelope labeled "Mortgage Loan" is considered a secured debt.

Click to proceed

Step 3:

The envelope labeled "Mortgage Loan" allegedly contains the *tangible* paper security instrument, which holds a *temporary* perfection and *secured* status.

Click to proceed



For the "Mortgage Loan" envelope to be considered *permanently* perfected, the named party as Grantee *would* [which they did] record the security instrument in public land records, (in the county where the real property is located), to provide constructive notice that the Grantee is the Secured Creditor of Record.

Click to proceed

14

## Hocus Pocus?

Step 2(b):

The security instrument, with "covenant 20", (explained on slide 2), is utilized by MERS/GSE members whom defy the age old paper way of doing *business* with Real Property mortgages.

Click to proceed



Step 1:

With this eScheme tactic, MERS/GSE members convert a *tangible* real property mortgage loan into a separate, *intangible* Personal Property mortgage loan. You ask, "How do they do that?"

Click to proceed 15

## Hocus Pocus?

Step X:

Before "covenant 20" is utilized in the National eNote registry, MERS/GSE members convert Real Property mortgage *tangible* paperwork into digital format.



Covenant 20 or MERS wording similar allows the MERS/GSE member a premeditated way of creating an electronic promissory *Note*. The wording in the *intangible* security instrument allows for the creation of a transferable record, an *intangible* electronic record.

The converted paper note and security instrument become electronic records that will attach to the electronic promissory note [eNote].



Step X:

The *converted digital images* of the *tangible* paper note of the real property mortgage loan are supposed to be the payment stream, a security for the electronic promissory note, and the *intangible* security instrument is supposed to be the security for the *tangible* paper Note.

Click to proceed

16



## Hocus Pocus?

Step X:

To register an *electronic promissory Note* in the National eNote registry, MERS/GSE members create an electronic promissory note [eNote] according to the National eNote registry guidelines.



Step X(a):

MERS/GSE members, *strip the information and the value* of the *tangible* note from that *tangible* note and *transfer* that *value* for consideration, to the *intangible* electronic promissory note [eNote] of the account debtor.

This *intangible* eNote is created with an identical MIN number that a MERS member adds to a *tangible* note and *intangible* security instrument.

Click to proceed

17

## Hocus Pocus?

*\*In a typical MERS loan origination, the note is made payable to the lender and the mortgage is made out to MERS\**  
Source: [http://www.usfn.org/AM/PrinterTemplate.cfm?Section=USEFN\\_E\\_Update&template=/CM/HTMLDisplay.cfm&ContentID=2084](http://www.usfn.org/AM/PrinterTemplate.cfm?Section=USEFN_E_Update&template=/CM/HTMLDisplay.cfm&ContentID=2084)

Step X(b):

MERS/GSE members strip the *intangible* security instrument from the *tangible* Note and magically attach the *intangible* security instrument to the *intangible* electronic promissory note [eNote]



Click to proceed

Step X(c):

The *digital images* of the once *tangible* paper real property mortgage loan are magically attached to the account debtor's electronic promissory note, which is registered with an identical MIN number of the *intangible* security instrument.

Click to proceed

18

## Hocus Pocus?

Step X(d):

The *digital images* of the once *tangible* paper note and security instrument, which was considered the underlying *secured* real property mortgage loan are attached to the electronic promissory note, a second and intangible obligation.

Click to proceed



Step X(e):

The electronic promissory note with an identical MIN No. is the intangible obligation of an account debtor registered as an eNote by the MERS/.GSE member.

Now you have an envelope labeled INTANGIBLE "Or Interest In" , the intangible obligation of the account debtor.

Click to proceed

19

## Hocus Pocus?

### RECAP

This is how the wording in "covenant 20" is used by MERS/GSE junkies, uh, I mean members.

Pay attention to how the eBankers have accomplished this eScheme for MERS and GSE's:



Step 1:

MERS/GSE members take the paper note and place it into an envelope labeled "Mortgage Loan"

Click to proceed

20

## Hocus Pocus?

Step 2(b):

With the use of "covenant 20", MERS/GSE members can strip the paper security instrument from the paper note for the "mortgage loan" envelope and place the converted security instrument, a transferable record, into the envelope labeled INTANGIBLE "Or Interest In", which is a personal property mortgage loan of a MERS/GSE member.



Step 3:

After placing the *intangible* paper security instrument into the envelope labeled INTANGIBLE "Or Interest In", and placing the *tangible* paper note in the "mortgage Loan" envelope, the MERS/GSE member will then shove the envelope labeled "Mortgage Loan" into the envelope labeled INTANGIBLE "Or Interest In", which many believe is a real property mortgage.

Click to proceed

21

## Hocus Pocus?

Assign, Transfer

For any *intangible* assignment, transfer, a negotiation of the envelope labeled INTANGIBLE "Or Interest In", there are required actions that must take place for the tangible items contained in the envelope labeled "Mortgage Loan" to continue to be considered a *secured* security for the INTANGIBLE "Or Interest In" envelope.



Click to proceed

A properly negotiated envelope

labeled "Mortgage Loan", would reflect *all* indorsements to show proper negotiation of the paper note, and that a perfected chain of title exists in public land records to reflect such negotiation.

22

## Bypassing the S.O.S.

### Un-noticed Step Z:

The "security" for the *intangible* payment stream obligation of the account debtor, or a party claiming to be the owner of the *tangible* note and *intangible* security instrument, within the envelope labeled INTANGIBLE "Or Interest In" which is considered a personal property secured debt and not a real property secured debt.

Click to proceed

This "payment intangible" is *personal property* and is governed by the Uniform Commercial Code, Article 9.

For perfection of an assignment of an interest in the *personal property* obligation, the Secured Creditor of the Account debtor would file a UCC financing statement with the Secretary of State, Click to proceed



and,

Click to proceed

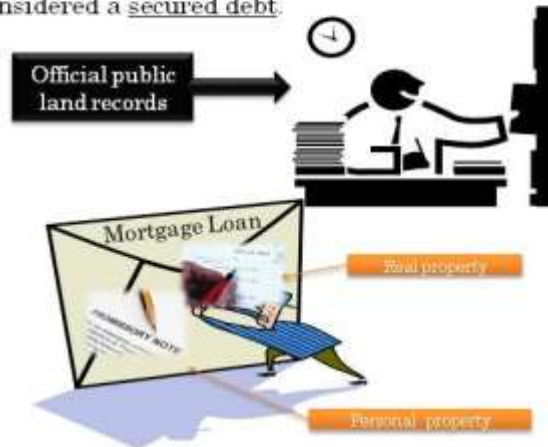
23

## Hocus Pocus?

### Step 2(a):

For the *tangible* paper note and security instrument placed into the same envelope labeled "Mortgage Loan" which is to be considered a secured debt.

Click to proceed



For the "Mortgage Loan" envelope to be considered *permanently* perfected, the named party as Assignee would record a tangible assignment of the security instrument in public land records, (in the county where the real property is located), to provide constructive notice that the Assignee is the subsequent Secured Creditor of Record.

Click to proceed

24

## Hocus Pocus?

### Operation of Law 3(a):

The *tangible* paper note and security instrument allegedly placed into the same envelope labeled "Mortgage Loan" is considered a *secured* debt.

The "Mortgage Loan" envelope is alleged to be the "security" for the envelope labeled INTANGIBLE "Or Interest In".



Click to proceed

### Operation of Law 3(b):

The envelope labeled "Mortgage Loan" that is stuffed into the large envelope labeled INTANGIBLE "Or Interest In" has laws that govern the *tangible* paper note and the security instrument in the envelope labeled "Mortgage Loan".

For any negotiation of the *intangible* envelope labeled INTANGIBLE "Or Interest In", there are required actions that *must* take place for the *tangible* items in the envelope labeled "Mortgage Loan".

By operation of law, for any transfer, assignment, negotiation of the *tangible* paper Note, a recordation IS required to reflect a subsequent Secured Creditor named in public land records. (In Texas: Tex. Loc. Govt. Code §192.007) 25

## Are your Civil Rights being violated?

### Assign, Transfer

For any assignment or transfer, (the intangible negotiation of the envelope labeled INTANGIBLE "Or Interest In"), if there is a failure to perfect the security instrument in the envelope labeled "Mortgage Loan", then only the note might possibly survive the intervening assignments of the envelope labeled INTANGIBLE "Or Interest In".



Click to proceed

So, what happened to the Security Instrument?

The security instrument was stripped from the paper note, rendering the Deed of Trust a fatality to an intangible "Or Interest In" eNote obligation and the tangible paper note obligation.



26

## Could this eScheme be a negotiation according to operation of Law?

Sec. 3.104. NEGOTIABLE INSTRUMENT.

(b) "Instrument" means a negotiable instrument.

Sec. 3.203. TRANSFER OF INSTRUMENT; RIGHTS ACQUIRED BY TRANSFER.

(b) Transfer of an instrument, whether or not the transfer is a negotiation, vests in the transferee any right of the transferor to enforce the instrument, including any right as a holder in due course. The transferee cannot acquire rights of a holder in due course by a transfer, directly or indirectly, from a holder in due course if the transferee engaged in fraud or illegality affecting the instrument.

(d) If a transferor purports to transfer less than the entire instrument, negotiation of the instrument does not occur. The transferee obtains no rights under this chapter and has only the rights of a partial assignee.

*"a partial interest in the Note (together with this Security Instrument)?"  
(Do you want to buy some wooden nickels?)*

Click to proceed

27

## Are your Civil Rights being violated?

Almost forgot this:

**16. Governing Law; Severability; Rules of Construction.** This Security Instrument shall be governed by federal law and the law of the jurisdiction in which the Property is located. All rights and obligations contained in this Security Instrument are subject to any requirements and limitations of Applicable Law. Applicable Law might explicitly or implicitly allow the parties to agree by contract or it might be silent, but such silence shall not be construed as a prohibition against agreement by contract. 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.

According to Covenant 16; Remove covenant 20, and the only parties to the security instrument are;

- (1) Grantor,
- (2) Grantee, and
- (3) Trustee

as reflected in the original security instrument recorded in public land records.

**Questions:**

- (1) After removing 20, Where does MERS or GSE's fit in this scenario?
- (2) Without removing 20, how could a MERS assignment be eligible for recording?

Click to proceed

28

## Too big to fail?

Quiz:

Do you know when the term "Too big to fail" was coined?

Answer: 1984

This was meant for Paper tangible primary market not electronic  
secondary payment intangibles market

Next Question:

If too big to fail was coined for the tangible primary market, what is  
the coined phrase for the secondary "payment intangible" market?

Trillion Dollar FUBAR

Another presentation in the "Alvie Explains It" series

29  
Click to proceed