

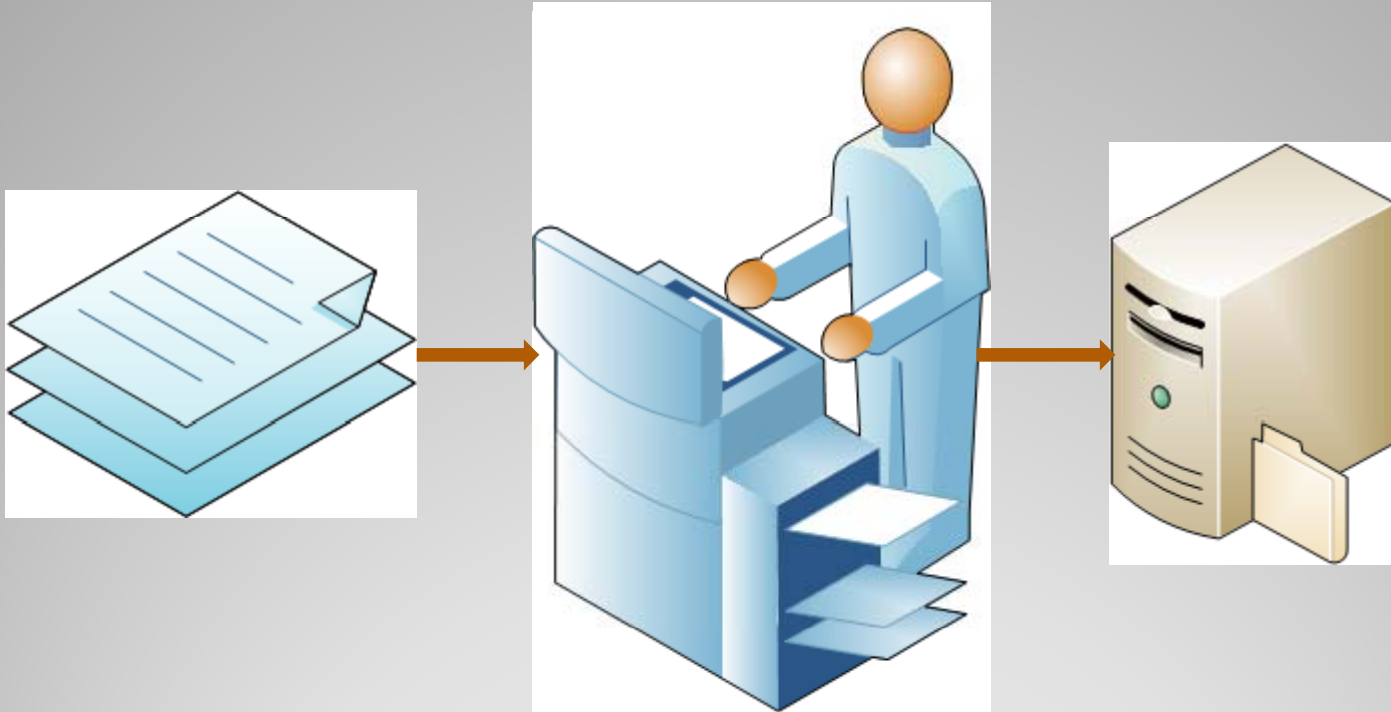
**Home Owner's
Paper Promissory Note
&
Security Instrument**

**Collateral in Mortgage Backed
Securities**

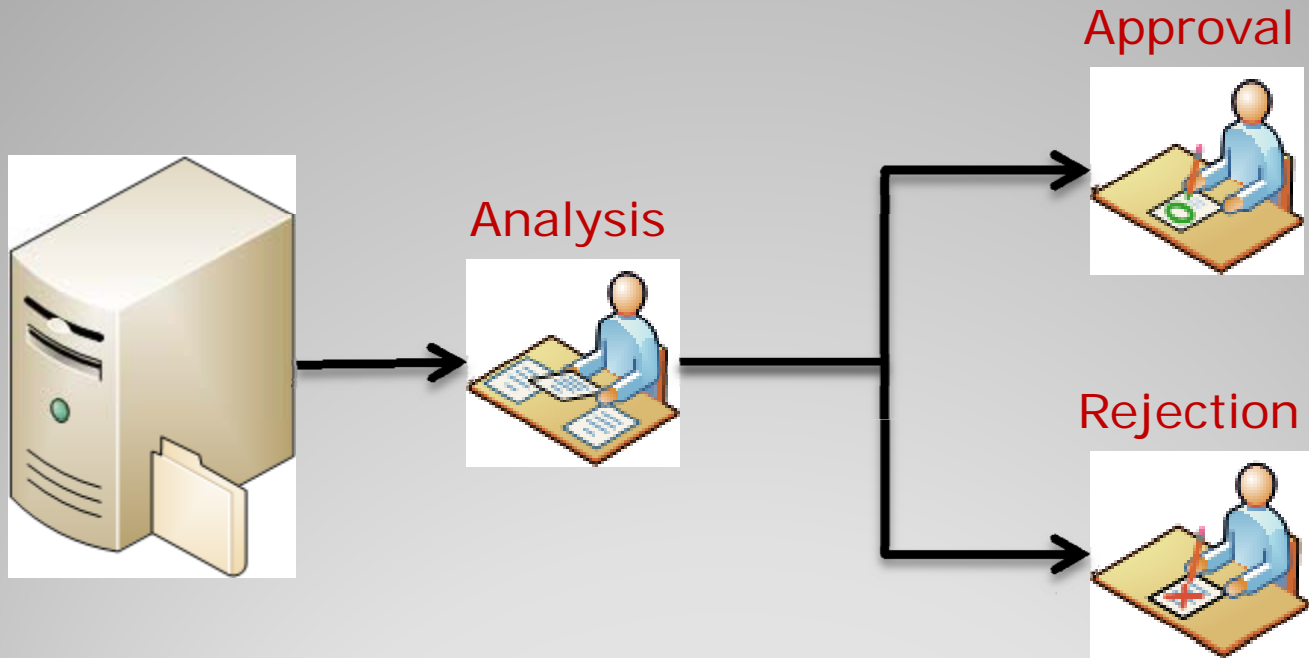
**Paper
Promissory
Note**

**Paper
Security
Instrument**

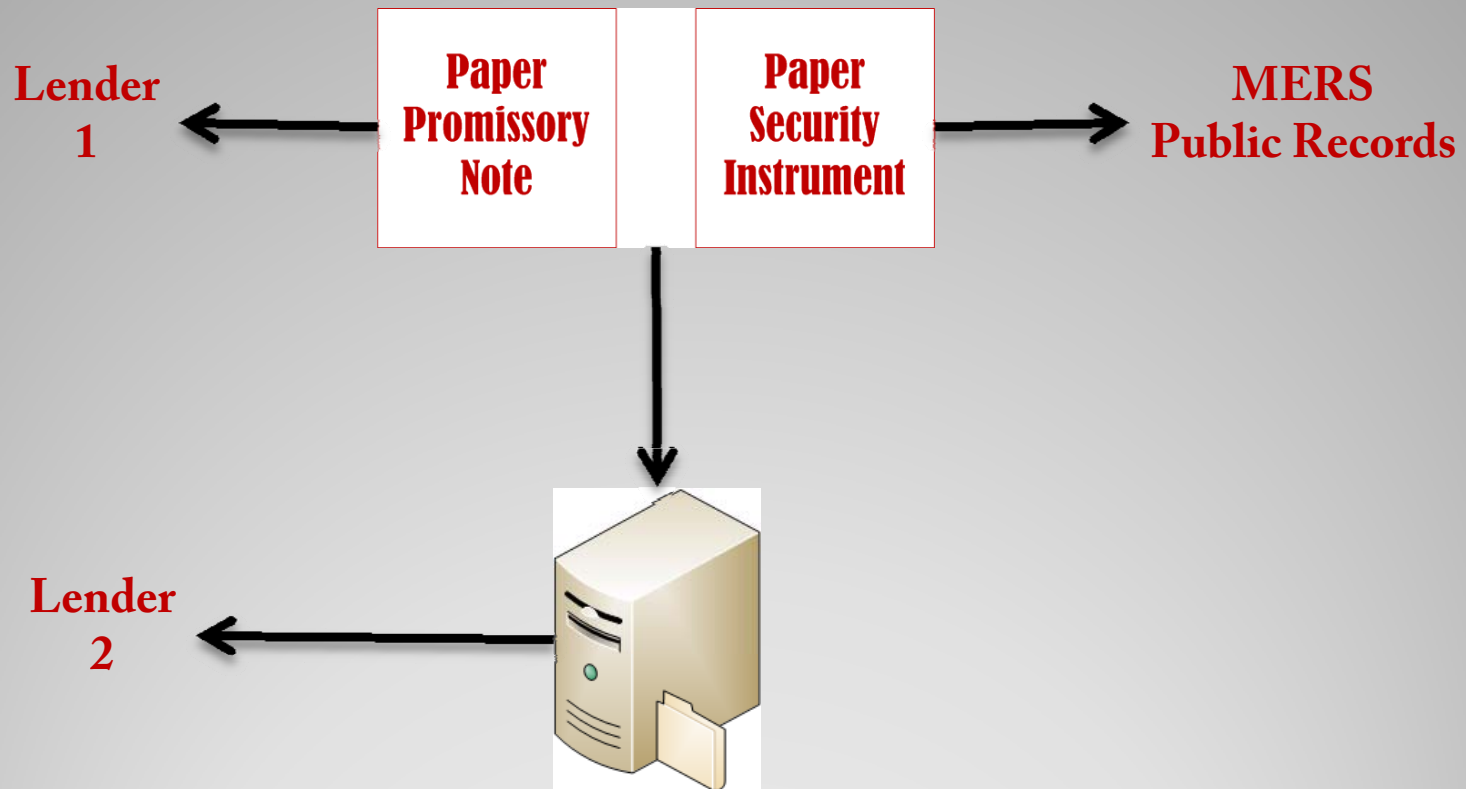
Wet Ink Signed Paper Closing



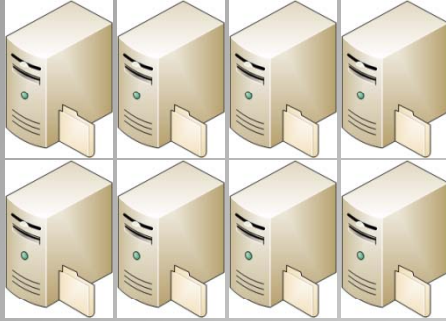
SCAN/COPY/STORE-DESTROY PAPER TO ELECTRONIC



**ELECTRONIC COPIES PROVIDED
FOR ANALYSIS TO RATING AGENCIES**



MERS as Nominee



Electronic Collateral



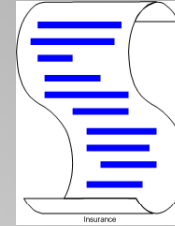
Mortgage Backed Security

(Exotic Carrier Evaluates
Electronic Furnished Copies)



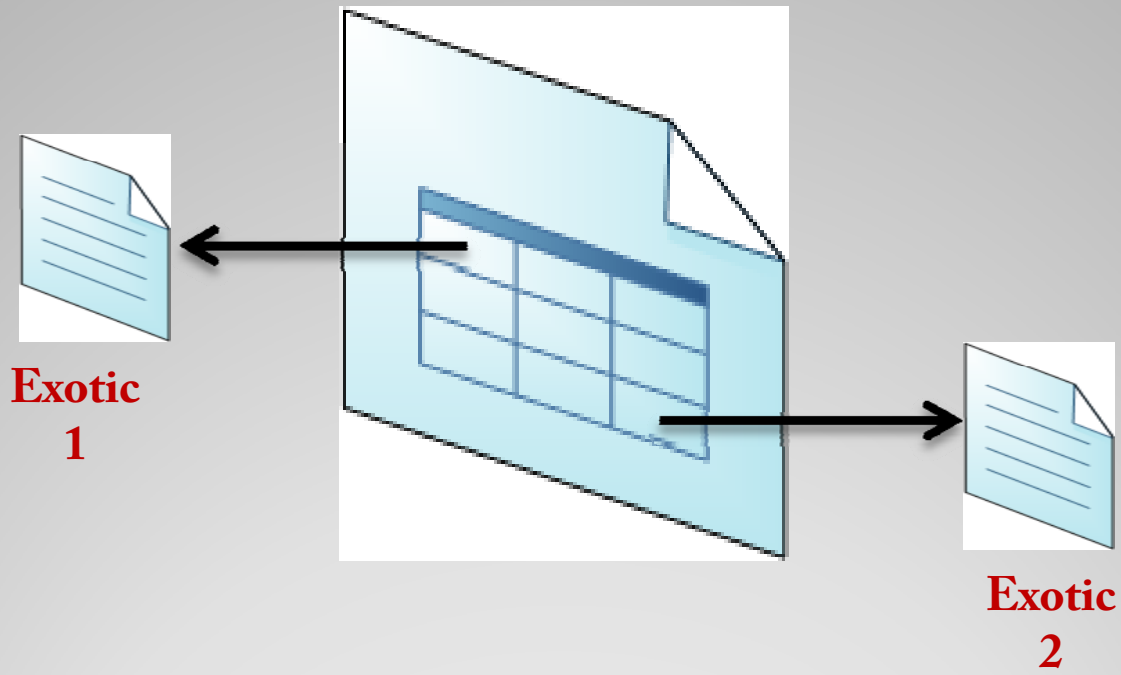
**Insurance
Carrier**

Insurance Policy



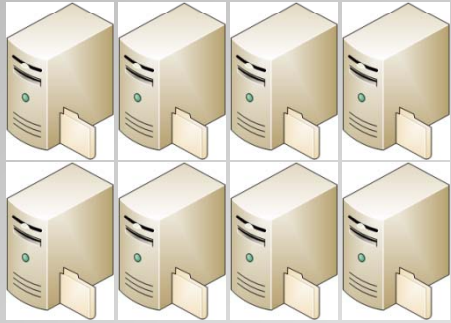
Aggregated Mortgage Pool

Mortgage Backed Security



Default Investment Vehicles

Collateral



Exotic



Exotic Collateral - Electronic

**Electronic
Promissory
Note**

**Electronic Negotiable Instruments
Lack Supporting Laws**

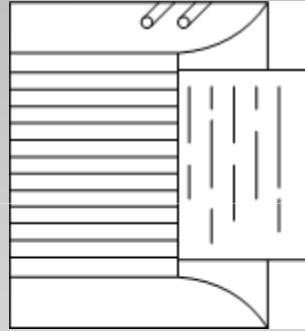
**Security
Instrument**

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

**Homeowner/Bank Foreclosure
The Banks Fight**



Legal Department



**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**

**Banks 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