

MYTHS vs. FACTS:

The MERS® System, Merscorp Holdings, Inc., and Mortgage Electronic Registration Systems, Inc.

MYTH #1: MERS has failed to record transfers of mortgage loans in the public land records.

FACT: At closing, the lender and borrower agree to appoint Mortgage Electronic Registration Systems, Inc. (MERS) as the mortgagee on the mortgage or deed of trust. This means that when a MERS® System member sells the loan to another MERS® System member, legal title to the mortgage remains with MERS and the need for an assignment is eliminated.

MYTH #2: MERS hides the chain of title so that borrowers can no longer see who owns their loans.

FACT: The public land records exist so that third parties are on notice that there is a lien on a property. MERS makes it easy for the borrowers to identify the servicer and owner of a loan that's been registered on the MERS® System (see Myth #3 below).

MYTH #3: MERS makes it harder for borrowers to identify the servicer and owner of their mortgage loans.

FACT: MERS actually makes this EASIER. We have a toll-free number (888-679-6377) and website (www.mers-servicerid.org) that the public can access to find the current servicer—and where borrowers can find the owner—of a loan registered on the MERS® System. The MERS® System is the only national database with this information free and available to the public.

In addition, under federal law, borrowers are entitled to receive notification when the ownership of their loan changes. Servicers are also required under the Truth In Lending Act to respond to written borrower inquiries as to the ownership of their loans.

MYTH #4: Mortgages with MERS as the mortgagee were not recorded in the public land records and MERS has created an alternate recording system that's private and proprietary.

FACT: The MERS® System Rules require that all mortgages with MERS as the mortgagee be recorded in the public land records and all required fees were paid. The MERS® System is not a legal system of record nor a replacement for the public land records. MERS' objective is not to replace county recorders; in fact we rely on the public land records to facilitate our business.

MYTH #5: Since MERS is not the lender, it does not have the right or "standing" to foreclose.

FACT: Because MERS is the mortgagee and common agent for all loans on the MERS® System, MERS has the right to act on behalf of the lender, which translates to our ability to foreclose on a borrower. Courts in all 50 states have upheld our role in this regard. However, we have changed our business process and no longer engage in foreclosures.

BENEFITS WITH MERS®

Reduces cost of homeownership.

- Eliminates breaks in the chain of title
- Hard dollar savings on each loan for homeowners and lenders

Provides transparency.

- Identity of servicer and investor available for FREE to homeowners via phone or Internet
- Used by lenders to find undisclosed liens

Used by governments and code enforcement officers to find companies responsible for maintaining vacant and abandoned properties.

Simplifies lien releases when a lender goes out of business.

Increases efficiency in sale of loans and servicing transfers in secondary market.

Mortgage Identification Number (MIN) is assigned to each loan, used for tracking.

MYTH #6: MERS caused securitization.

FACT: Securitization began in the 1980s, before the company was founded. The MERS® System was launched in 1997 in response to the challenges created by growth in mortgage origination and securitization in the 1990s.

MYTH #7: MERS stores mortgage documents that were previously kept by the servicer or investor.

FACT: MERS doesn't hold any documents on behalf of the servicer or investor. Just as it was prior to MERS, the recorded mortgage or deed of trust is typically held by the servicer, and the note is typically held by the custodian designated by the investor.

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