October 29, 2014

Monica Jackson,
Office of the Executive Secretary
Consumer Financial Protection Bureau
1275 First Street, NE
Washington, DC 20002

Re: Docket No. CFPB-2014-0019
Comments about the proposed rule amending Regulation C to implement amendments to the Home Mortgage Disclosure Act (HMDA) made by section 1094 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)

Ladies and Gentlemen:

On behalf of MERSCORP Holdings, Inc. and Mortgage Electronic Registration Systems, Inc.,[1] we write to urge that the Consumer Financial Protection Bureau (CFPB) require that the current de facto industry standard -- the Mortgage Identification Number (MIN) -- be the core of a universal loan identifier ("ULI") for the HMDA program and other areas where a ULI is required.

There is an important principle underlying our recommendation: when enacting reforms, the ability to leverage existing protocols and systems results in faster implementation, less disruption and risk, and lower costs for the government, industry and the consumer.

At a time when there is concern over housing market weakness, and recognition that the identification options being considered would require significant time and money to develop,[2] it makes little sense to follow a course of action that will needlessly push up costs, confuse consumers and delay the benefits of reform.

The benefits of relying on the MIN as the core identifier for HMDA are numerous:

[1] MERSCORP Holdings, Inc. is an industry-owned, privately held corporation that owns and manages the MERS® System, the MERS® eRegistry and all other MERS® products and services. Thousands of lenders, servicers, sub-servicers, investors and government institutions are MERS® System members. A wholly owned subsidiary of MERSCORP Holdings, Inc., Mortgage Electronic Registration Systems, Inc. (MERS), serves as the mortgagee in the land records for mortgage loans registered on the MERS® System, and is a nominee (or agent) for the owner of the promissory note. The MERS® System is a national electronic database that tracks changes in mortgage servicing and beneficial ownership interests in residential mortgage loans on behalf of its members. The MERS® eRegistry is an electronic registry that is the system of record for the ownership of eNotes (i.e., transferable records under ESIGN and UETA).

[2] 201407_cfpb_proposed-rule_home-mortgage-disclosure_regulation-c 2.pdf P. 117.

- **The MIN is the de facto industry standard.** The MIN is in use by Fannie Mae, Freddie Mac, Ginnie Mae and over 5,000 other MERS® System members (including over 90% of the top 100 originators and servicers). The MIN is incorporated into every mortgage loan origination and servicing system software. The MIN is typically issued at origination and remains unchanged over the life of the loan. It can be assigned as early as the loan application. It is listed on the mortgage security instrument recorded in the local land records for mortgage loans registered on the MERS® System and incorporated into every eNote registered on the MERS® eRegistry (placement on a paper mortgage note is optional).

- **The MIN is cost effective.** There would be no incremental fee for the 65% of mortgage originations already being registered on the MERS® System currently. For all other mortgages there is no cost for generating a MIN and the fee to register a MIN to ensure its integrity and uniqueness is less than a dollar for the life of the loan.[3] By working together, we think the industry and the Bureau could eliminate the costs that (under alternative solutions) would most likely be passed on to consumers.

- **The use of the MIN as the core for the ULI has been described by Mortgage Industry Standards Maintenance Organization ("MISMO")[4] as follows:** "The MIN, which is already used in the majority of loans, could be expanded relatively inexpensively and quickly …"

- **The MIN is consistent with the conclusions of the Treasury review of what is needed for a Universal Mortgage Loan Identifier.** The "Properties of a Universal Mortgage ID" (Scope of Coverage, Structure, Public Availability, Privacy Protection, Incentive Compatibility, Registration Process, and Quality Assurance) advanced by the Treasury's Office of Financial Research (OFR) in their white paper[5] are all characteristics of the MIN and the registry that supports it.

- **The MIN is a critical element in the future of electronic housing finance.** The MIN, and registration on the MERS® eRegistry system, is required by the Fannie Mae and Freddie Mac for eNotes. The MIN and MERS® eRegistry may be included in the upcoming CFPB electronic closing pilots.

- **The MIN is less disruptive to consumers.** The MIN is a simple numeric construct, easier to handle and input into telephone, mobile or computer

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[3] The cost of a basic registration could be even lower if there were a mandate for all mortgages to have a registered MIN.

[4] http://www.mismo.org/files/BrochuresandPresentations/DWGUniqueLoanIDWhitePaper2.pdf

[5] http://www.treasury.gov/initiatives/ofr/research/Documents/OFRwp0012_McCormickCalahan_CommonGroundNeedforUniversalMortgageIdentifier.pdf

interfaces than alphanumeric alternatives. Any alternative to the MIN would introduce a new and additional identifier as consumers already have originator and/or servicer's proprietary loan numbers, the MIN, and now potentially an additional identifier to understand and manage. This is ripe for confusion.

- **Any new mortgage loan identifier (interim or permanent) would carry with it serious development, implementation and operational costs.** Systems up and down the housing finance value chain (originators, aggregators, and servicers, and potentially insurers, securitizers, and other counterparties) would have to be reconfigured to accommodate a new number under CFPB's proposed interim solution, and again should CFPB select a different, final ULI. There will also need to be a corresponding adjustment to all parties' business and quality assurance processes. By using the MIN, no reconfiguration would be required and the design of the MIN ensures uniqueness without having to add a 20 digit legal entity identifier (LEI) to the lender's self-selected loan number.

  Any new solution would start from scratch. The MIN and related infrastructure are already operating and in use. By using the MIN, the time and cost to implement a "universal" solution would be a fraction of a de novo solution. The MIN is a proven solution, having been used to identify 87 million loans to date.

  The proposed interim ULI is unnecessarily cumbersome because it requires the linking of a 20 character LEI with a company-specific identifier of up to 25 character loan numbers, resulting in an unwieldy 45 digit ULI. This extreme length will make manual input of the ULI by individuals more prone to error, relegating the ULI to use only in situations where input can be automated for direct machine-to-machine, system-to-system communications. The data systems of subsequent owners of the loan will also need to be configured to handle ULIs of varying lengths and formats.

- **The LEI is not suited to the task of uniquely identifying individual assets.** It is our understanding that the purpose of the LEI is to uniquely identify individual businesses and financial entities. It was not intended for, nor is it well suited to, the task of uniquely identifying individual assets, such as loans, that entities may own or handle. There does not appear to be any inherent value to incorporating the LEI into the ULI. The LEI most likely associated with a loan will be the LEI of the originator, but this entity may have no long term or ongoing relationship with the loan, so the LEI in the ULI will not yield reliable information regarding the current owner or servicer of the loan.

  It appears that the only reason to incorporate the LEI into the ULI is to ensure uniqueness of each loan's identifier in order to avoid two originators independently assigning the same number to two different loans. The need to address this problem is itself driven by the fact that CFPB's proposed interim ULI solution has no registry or other system of independent validation of uniqueness. This 45 character ULI is a cumbersome and costly solution to a problem that has already been solved by the mortgage industry with the MIN.

Each MIN is inherently unique. Each MIN begins with a seven-digit MERS® System Organizational Identification ("OrgID"), and is generated by origination or servicing system software that is programed to ensure uniqueness. This uniqueness is further validated when the MIN is registered on the MERS® System (see attachment with the technical description of the MIN).

Regardless of the benefits that the LEI might provide in other contexts, stretching the LEI to use it in this situation provides little benefit and significant downside risk.

- **The MIN is compatible with the digital object identifier (DOI) solution being considered by some regulators for other asset classes.**

- **The MIN is supported by a secure, highly available, proven registry.** We understand that the Bureau is not seeking comment on a mortgage registry or vault at this time, but we also think that a ULI that is already supported by a proven registry deserves to be more highly valued than an unproven, idealized ULI or an interim solution with no registry support. To ensure uniqueness, conformity with standards, and linkage to key information (e.g., a unique organization identifier, borrower, or servicer) a unique identifier must be tied to a registry of those identifiers. The MIN is supported by the MERS® System, a registry with over 15 years of proven capability, built on a high-availability infrastructure, which is secure, scalable and redundant. Replicating this capability would be timely, costly, complex and duplicative.

- **MERSCORP Holdings, Inc. is an industry utility that is well suited to manage the ULI.** The architecture and operation of the MIN is managed by MERSCORP Holdings, Inc., which in turn is owned and governed by the MERS® System members who represent a broad cross section of the real estate finance industry. MERSCORP Holdings, Inc. is not profit or share-price motivated; it is a service driven industry utility. The generation of the MIN could easily be made available through a royalty-free license to all industry participants.

The Bureau's proposal to temporarily rely on self-assigned identifiers (with up to 25 characters) preceded by a 20 digit LEI, while the Bureau continues to work with industry and other agencies and stakeholders to assess next steps[6], strikes us as advancing a complicated interim solution (requiring expensive systems reconfigurations) where a more cost effective solution already exists. These efforts would need to be repeated once a final ULI is selected, with the great potential that both identifier systems would need to be maintained for some time into the future. We are also concerned that if the industry and technology providers, along with the CFPB, invest in the system and business process

[6] 201407_cfpb_proposed-rule_home-mortgage-disclosure_regulation-c 2.pdf P. 117.

changes needed to implement a proposed interim solution, it could morph into a long-term solution that is neither strategic nor consumer friendly.

Furthermore, any additional costs associated with the creation of the CFPB's interim ULI (and later, a permanent ULI) will ultimately be passed along to consumers in the form of additional administrative charges or increased interest rates for their loans as lenders seek to recover these expenses. While the cost to individual borrowers may appear small, when spread across the entirety of residential mortgage borrowing, this additional fee becomes another not insignificant cost and a further drag on the housing market – a drag which could be avoided by implementing an existing, proven, less expensive alternative.

For the reasons stated above, we think that it would be better for everyone – the consumer, the industry and the government – to rely on the MIN as the core identifier for HMDA data and other ULI applications and for the CFPB and the industry to work together to explore how the existing MIN and MERS® System registry might be used to meet the universal identifier needs.

Submitted by,

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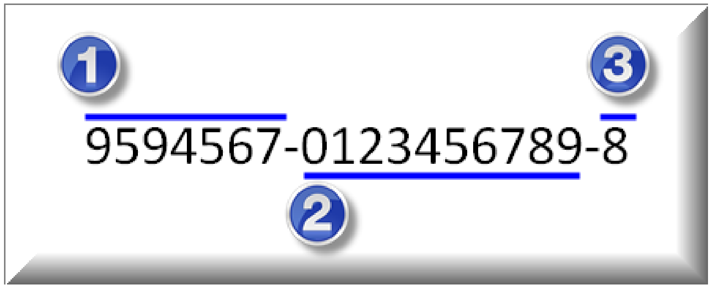
Attachment: Technical description of the MIN

Generating a Mortgage Identification Number (MIN)

The Mortgage Identification Number (MIN) is an 18-digit number that uniquely identifies a mortgage loan registered on the MERS® System. A MIN is permanently assigned to a mortgage at registration and cannot be duplicated or reused. When you generate a MIN, it must contain the following three parts:



- **Part 1:** Your company's seven-digit Organization Identification Number (Org ID). MERSCORP Holdings, Inc. assigns your Org ID. Like the rest of the MIN, the Org ID never changes, regardless of servicing transfers. In the example MIN above, the Org ID is **9594567**.
- **Part 2:** A 10-digit sequence number assigned by you. You can use an internal number that has meaning to your organization (e.g., your internal loan number), or you can generate random sequence numbers, as long as you never re-use the number. In the example MIN above, the sequence number is **0123456789**.
- **Part 3:** A one-digit check digit calculated by you using the *Mod 10, Weight 2 Algorithm*, which is documented in the following section. In the example MIN above, the check digit is **8.**

MIN Check Digit Calculation (Mod 10, Weight 2 Algorithm)

The algorithm for calculating the check digit for a MIN is as follows:

1. Working from right to left - multiply every other digit by two. Any carry, the “1” from any two digit product is added to the product of the next multiplication operation. If the product of the final multiplication operation is greater than nine, add the two digits of the product together and if there is a carry from the previous multiplication operation, add it to the sum of the two digits. (As illustrated in the example below for the first 9 in the Org ID: 9 x 2 = 18, 1+8 = 9, add the carry of 1 from the previous multiplication operation: 9 + 1 = 10.)
2. The digits in the products and the digits in the base number not multiplied by two are added together.
3. The total is subtracted from the next higher number ending in zero. If the total ends in zero, the number is subtracted from itself.
4. The difference is the check digit.

MERS®

Example: ORGID = 9594567 Sequence # = 0123456789 Check Digit= ?

1. Base Number	9	5	9	4	5	6	7	0	1	2	3	4	5	6	7	8	9	
2. Alternate Positions	9		9		5		7		1		3		5		7		9	
3. Times2	**x2**		**x2**		**x2**		**x2**		**x2**		**x2**		**x2**		**x2**		**x2**	
4. Product Values (line 2 x 2)	**1+8+1**		**1+ 8= 9**		**1+ 0= 1**		**4**		**2**		**1+ 6= 7**		**1+ 0= 1**		**1+ 4 =5**		**8**	
5. Digits Not Multiplied		5		4		6		0		2		4		6		8		SUM
6. Add Product Values & Digits (lines 4 and 5)	**10**	**+5**	**+9**	**+4**	**+1**	**+6**	**+4**	**+0**	**+2**	**+2**	**+7**	**+4**	**+1**	**+6**	**+5**	**+8**	**+8**	= 82

Next Higher Number Ending in 0 → 90

Minus Sum of digits → - 82

Check Digit → 8

Base Number + Check Digit	9	5	9	4	5	6	7	0	1	2	3	4	5	6	7	8	9	8

Complete MIN Number:	(OrgID) + (Sequence Number) + (Check Digit)

9594567 0123456789 8