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September 12, 2014

Federal Housing Finance Agency
Office of Budget and Financial Management
400 7th St., SW, Washington, DC 20024
Attn: Stefanie Johnson & Corrine Russell

Re: FHFA Strategic Plan 2015-2019

Dear Ms. Johnson & Ms. Russell:

Attached for your consideration are comments on the subject strategic plan submitted on behalf of MERSCORP Holdings, Inc. and Mortgage Electronic Registrations Systems, Inc. ("MERS").

A copy of this letter and the attachments are also being submitted electronically through the portal provided for that purpose.

If you have any questions or need any additional information, please contact me.

Respectfully,

A handwritten signature in blue ink, appearing to read "WCH", is placed below the text "Respectfully,".

William C. Hultman
Vice President, Legislative Affairs
MERSCORP Holding, Inc.
1818 Library Street, Suite 300
Reston, VA 20190
703-761-1284 (direct)
703-625-1917 (mobile)
billh@mersinc.org

Comments on FHFA's Strategic Plan 2015-2019
Submitted September 12, 2014 by
MERSCORP Holding, Inc. and Mortgage Electronic Registration Systems, Inc.

MERSCORP Holding, Inc. and Mortgage Electronic Registration Systems, Inc. (collectively, "MERS")¹ are pleased to provide comments to the Federal Housing Finance Administration (FHFA) regarding the Agency's proposed Strategic Plan for Fiscal Years 2015-2019, as it pertains to (1) the creation of the Common Securitization Platform (CSP); (2) the desire that the CSP be adaptable for use by additional market participants; (3) the development of a single security; (4) leveraging industry interfaces, software and standards; and (5) the development of uniform standards for mortgage-related data reporting.

(1) Creation of the CSP (2015–2019 Strategic Plan p. 17)

FHFA will continue to work with the Enterprises to build a common securitization platform to replace the current separate proprietary systems at each Enterprise. In pursuing this multi-year process, the agency will target development of the CSP to the Enterprises' current functions in order to appropriately manage the risk of launching this new joint venture. When this process is completed in the future, the platform will bundle mortgages into securities structures and will process and track payments from borrowers through to investors.

Comment:

The effective and efficient functioning of the CSP will require a unique loan identifier to track individualized loan-level data over the life of the loan. The Mortgage Identification Number (MIN²), supported by the MERS® System, is the mortgage industry's only ubiquitous and unique life of loan identifier. The MIN is embedded in all major mortgage origination, servicing and document preparation software and is already utilized for approximately 65% percent of all new loans. Existing Enterprise systems already accommodate the use of the MIN. Further, the MIN is already the standard identifier for all new eNotes, and the CSP design should reflect and anticipate the mortgage industry's shifts towards greater utilization of

¹ MERSCORP Holdings, Inc. is a privately held corporation that owns and manages the MERS® System, the MERS® eRegistry and all other MERS® products and services. It is a member-based organization made up of thousands of lenders, servicers, sub-servicers, investors and government institutions. A wholly owned subsidiary of MERSCORP Holdings, Inc., Mortgage Electronic Registration Systems, Inc. (MERS), serves as the mortgagee in the land records for 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 Please see attached MIN overview and technical description.

eNotes and eCommerce. For these reasons the MIN should be the unique loan identifier used by the CSP.

MERS also encourages FHFA to ensure that its new CSP will have the flexibility and capacity to support the future shift to e-Notes, e-Mortgages and e-Closings.

(2) CSP use by additional market participants (Strategic Plan p. 16)

While FHFA will require the Enterprises to build the new infrastructure for use by both companies, FHFA will also require that the CSP be adaptable for use by additional market participants in the future. (p. 15)

Comment:

To accommodate the desire that the CSP be adaptable for use by additional market participants in the future, it would be a good idea that the registry for the unique loan identifier be structurally independent of (but integrated with) the CSP, thereby promoting greater flexibility and wider utilization of the registry while reducing the burden on the CSP. The design should allow for integration with the MERS® eRegistry and MERS® eDelivery since both Fannie Mae and Freddie Mac require their use for purchase of eNotes.

(3) Leveraging industry interfaces, software and standards (Strategic Plan p. 16)

... the Enterprises and CSP team will continue to focus on leveraging industry-standard interfaces, industry software, and industry data standards where possible.

Comment: MERS believes that the MIN, the MERS® System and the MERS® eRegistry are ideal candidates for leveraging and supports FHFA's plans to involve industry in the development process and looks forward to participating in this process especially as it pertains to identifier and registry issues. Given that MERS was developed by the Mortgage Bankers Association, Fannie Mae, Freddie Mac and other industry participants as an industry utility and today represents many mortgage banking stakeholders, it is an ideal source for the FHFA or the GSEs to effectively and efficiently leverage well established industry-standard interfaces, software and data standards. MERS is also well positioned to serve as a data interchange or repository for emerging industry-wide requirements that might otherwise burden the CSP or be perceived as having limited applicability if they are GSE-only focused. Additionally, MERS is a major user and supporter of MISMO data standards and we encourage the FHFA to leverage MISMO wherever possible.

(4) Development of a single security (Strategic Plan p. 18)

FHFA is in the early stages of a multi-year process to develop a Single Security for securitizations of Enterprise purchased loans. When this process is completed in the future, a Single Security should improve the overall liquidity of the Enterprises' securities. As part of the effort to create a Single

Security, FHFA and the Enterprises will define parameters, including security characteristics and disclosure requirements.

Comment: FHFA should ensure that any new contractual disclosure documents, including and especially any uniform security instruments, continue to allow and support the role of Mortgage Electronic Registration Systems, Inc., as the nominee and mortgagee on behalf of MERS members, including the Enterprises.

(5) Uniform standards for mortgage-related data reporting (Strategic Plan p. 18)

FHFA will continue to guide Enterprise work on developing uniform standards for mortgage-related data reporting. The Uniform Mortgage Data Program is currently focused on three elements designed to improve the reporting consistency, quality, and uniformity of data collected during the mortgage process: loan application data, closing data, and servicing data.

Comment: Loan application data, closing data, and servicing data will need to include an identifier. The mortgage industry is currently working to modify and update its systems to ensure compatibility with a variety of new and pending data requirements from several different federal regulators. By utilizing established industry standards such as the MIN and the MISMO data dictionary, FHFA can lessen this burden. Likewise, ensuring that FHFA's data standards – including any loan identifier – are consistent and compatible with other Federal agency requirements, such as the ULI requirements currently proposed by the Consumer Financial Protection Bureau for HMDA reports, also will promote greater efficiency.

MERS strongly urges that FHFA to work closely with the industry, MERS and standard setting bodies like MISMO, and other federal agencies to ensure the greatest level of consistency across existing systems and regulatory requirements.

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MIN Overview
“Mortgage Identification Number”

The Mortgage Identification Number (“MIN”) is the only life of loan identifier used by the industry today.

The MIN was created and implemented to track mortgage loans from origination through payoff; although today it is generally assigned when loan documentation is created. The MIN is an 18-digit identifier, generated on the users’ own system, which remains unchanged for the full life of the loan. The MIN is a simple, numeric construct that is easy to handle and to input into telephone, mobile or computer interfaces (as opposed to an alphanumeric alternative).

The MIN may be registered on the MERS® System, a process which validates the integrity (uniqueness) of the MIN and collects key borrower, property, and loan information, including loan servicer and investor (owner) information. Registration allows for the loan to be tracked through any changes in loan ownership and servicing. As a registry, the MERS® System currently maintains a “thin” file of data on each registered loan, with no loan performance or consumer demographic information – just enough information to allow for identification and cross-referencing of key information.

The MIN has been widely adopted and embraced by the mortgage industry.

The MIN and the MERS® System are supported by over 5,000 MERS® Members.

All top 20 mortgage loan originators and 47 of the top 50 use the MIN – 98% of volume.

All top 20 mortgage loan servicers and 42 of the top 50 use the MIN – 99% of volume.

Approximately 65% of all residential mortgage loans are registered on the MERS® System, and the MIN is on the documents recorded in the county land records.

MERS does not charge any fee for generating a MIN; MERS charges a modest up-front fee (as little as 97 cents) for registering the MIN and associated loan information on the MERS® System.

Once a mortgage has been registered and the MIN has been assigned, there is no additional charge for the use of that number in other contexts, other than transactional fees to update the MERS® System when servicing rights are transferred. Similarly MERS does not charge a licensing or other fee to any software developer or publisher that wishes to incorporate MIN functionality into their product. In other words, unlike a purely proprietary system, the value of the

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registry is not privatized into MERS, but instead remains available for use in a wide range of applications.

MERS functionality – the ability to generate a MIN and register a loan on the MERS® System – is integrated into all major loan origination, servicing, custodial, document preparation and loan delivery systems and supported by all major secondary market investors, including the delivery systems used today by the Enterprises.

The MIN is used by Fannie Mae, Freddie Mac, Ginnie Mae, HUD, FDIC, and many state housing finance agencies.

A MERS® System undisclosed lien check is recommended by Fannie Mae guidelines prior to delivery.

The MIN has been in use for over fifteen years and more than 87 mortgage loans have registered on the MERS® System with 26 million loans still active.

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: $9 \times 2 = 18$, $1+8 = 9$, 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.



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	1+8+1		1+		1+		1+		1+		1+		1+		1+		1+
(line 2 x 2)	8=		9		0=		4		2		6=		0=		4		8
5. Digits Not Multiplied	9		9		5		7		1		3		5		7		9
6. Add Product Values & Digits	10		5		5		6		2		7		4		6		8
(lines 4 and 5)			+5		+4		+6		+0		+2		+4		+6		+8
Next Higher Number Ending in 0																	
Minus Sum of digits																	
Check Digit																	

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)																	

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