

MERSCORP Holding, Inc. and Mortgage Electronic Registration Systems, Inc. (collectively "MERS") are pleased to provide comments to the Committee concerning a number of questions relating to GSE reform.

MERS was created in 1995 under the auspices of the Mortgage Bankers Association (MBA), the GSE's, and other important industry players as the mortgage industry's utility, to improve the mortgage process by using electronic commerce to eliminate certain cumbersome paper-based processes.

As part of its business operations, MERS also provides and supports the MERS® MIN, an 18-digit mortgage unique loan identification number. The MIN is the most widely used unique mortgage loan identifier in the mortgage industry today. MIN functionality is integrated into virtually every mortgage loan origination and servicing data systems in use today, and is used by nearly 100% of mortgage originators and servicers, as well as many others throughout the industry. Approximately 65 percent of all new mortgage loans have a MIN and are registered on the MERS® System.

MERS has policy and operational expertise concerning such matters as uniform data standards, disclosure regimes, and information systems for document custody and electronic registration of mortgages, notes, titles, and liens, and we have confined our remarks to questions from those areas.

The comments below provide a summary of MERS answers to the Committee's questions. MERS previously has provided extensive comments to the Federal Housing Finance Administration (FHFA) on these matters in the context of FHFA's five-year strategic plan and efforts to develop a common securitization infrastructure. Those comments, which substantially overlap with some of the Committee's questions, are attached for your consideration.

Question: Do you think there should be an electronic registry system to track servicing rights?

While MERS has not endorsed the notion of a federal government sponsored mortgage registry, we agree that our nation's housing finance system can benefit from a centralized, electronic registry of ownership and servicing rights. MERS, through the MERS® System, performs that function now for its members. MERS has connectivity into every major lender and servicer through their loan origination and servicing data systems, and currently over 65% of all new mortgages are registered on the MERS® System. We believe that the MERS® System provides an excellent foundation for considering future registry policy.

Question: Should the system include only government guaranteed mortgages?

While MERS has not endorsed the notion of a federal government sponsored mortgage registry, we think that any reformed registry system should require mandatory registration of all government-backed and encourage the registration of non-government-backed loans. The more universal the registry is, the greater value it will provide to regulators, the industry, and other potential users.

Question: S. 1217 calls for the creation of a uniform mortgage data base as well as an electronic registration. Is it advisable or necessary to create a new database and a new registry? Should existing databases and registries, such as FHFA/CFPB's National Mortgage Database Program, be improved instead?

While MERS has not endorsed the notion of a federal government sponsored mortgage registry, should Congress move in that direction we do not think it is advisable or necessary to create a new registry; as changes are considered, we think it is advisable to consult with and, to the extent feasible, utilize and build upon the industry's existing registry system.

Concerning the registry: there are certain design principles we think are important when considering mortgage registries.

- Use a unique loan identifier created at loan origination.
- Require life-of-loan information.
- Require mandatory registration of all government-backed loans and encourage the registration of non-government-backed loans.
- Build on existing industry and public data systems and connectivity.
- Build on existing industry data standards developed through an open process.
- Employ a standardized, non-proprietary electronic format for storing and transmitting data.
- Ensure robust privacy protection.
- Operate at or near real time with high availability and redundancy.
- Self-fund and operate on a utility basis.

In its current form, the MERS[®] System meets almost all of these design criteria and, with the cooperation of FHFA and the industry, can be expanded and enhanced to track the additional information and provide any additional functionality necessary to achieve the goals of the Congress.

Because of the different purposes of the registry and other mortgage data systems, we believe these systems should be thought of and constructed separately, as they are today.

To the extent that new data systems are created, we believe it would be beneficial for those systems to adopt the MIN as their unique loan identifier, which is already widely used throughout the mortgage industry and associated with nearly two-thirds of all mortgages.

If a national registry is contemplated, regardless of whether it builds on the MERS[®] system or not, MERS stands ready to provide input and recommendation on such a system based on our experience in running a large scale mortgage registry.