



MERS<sup>®</sup>

# eMortgages with PennyMac & MERS<sup>®</sup>

October 7th, 2021

# Agenda

## **eMortgages with MERS® | Bob Pathman (Western Region Sales Manager, ICE Mortgage Technology)**

- eMortgage 101
- Benefits & Growth of eNotes
- eRegistry Adoption & Overview
- Expand your knowledge
- Getting Started with MERS®

## **eMortgages with PennyMac | Spencer Balsz (Senior Project Manager, PennyMac)**

- Benefits of eMortgages with PennyMac
- Approved Partners
- RON Overview & State Map
- Getting Started with PennyMac

## **Q&A with MERS® and PennyMac**





# Getting Started with eNotes

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Bob Pathman

Western Region Sales Manager  
MERSCORP Holdings, Inc.

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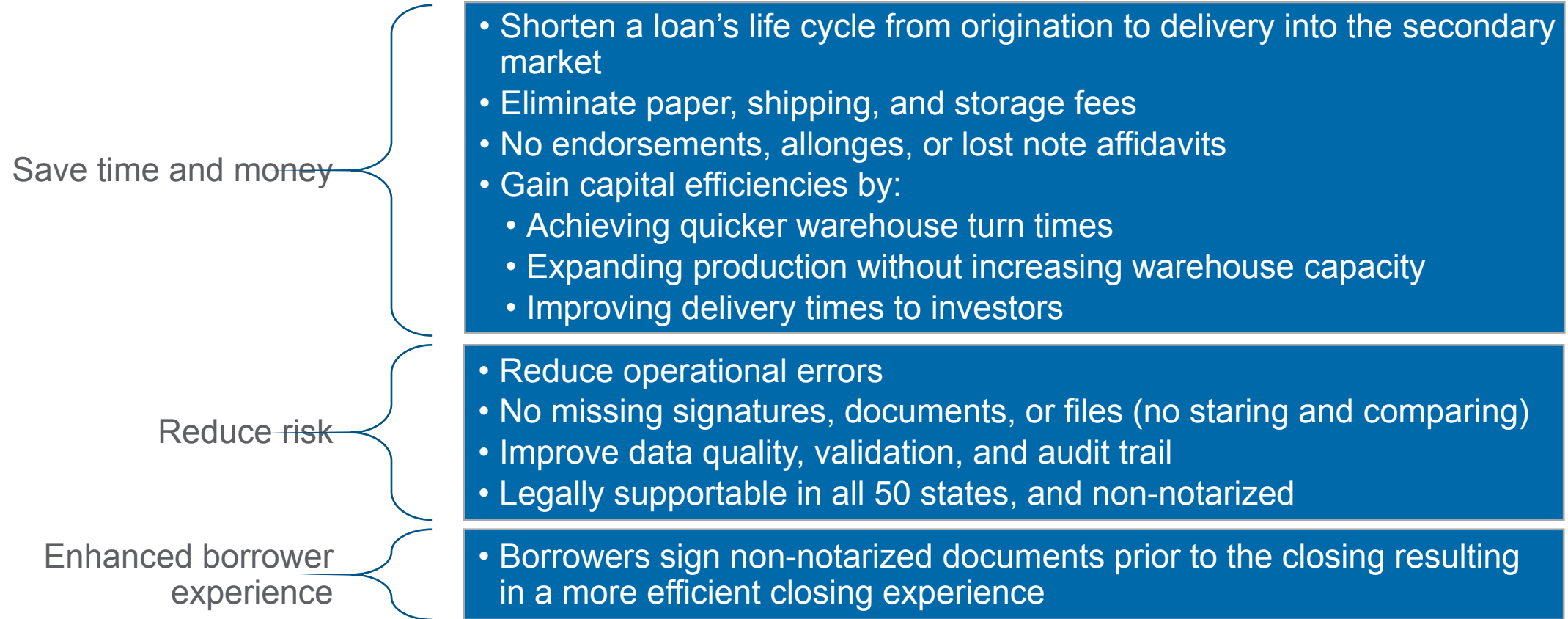
# eMortgage 101

- **eMortgage:** A mortgage loan where the promissory note and potentially other documents (e.g. mortgage or deed of trust, loan application, etc) are created and stored electronically, rather than by paper documentation with a “wet ink” signature. Currently, many eMortgages consist of an electronic note with a paper mortgage/deed of trust.
- **eNote:** An electronic promissory note. The term eNote is used interchangeably with “eMortgage”. However, in the strictest sense, eNote may only refer to the promissory note.
- **eClosing:** A closing where some or all of the closing documents are signed electronically. eClosings produce eMortgages when the promissory note - at minimum - is signed electronically.
- **MERS® eRegistry:** The authorized registry that identifies the current Controller (holder) and Location (custodian) of the eNote. MERS® is the only national registry for eNotes.
  - **Controller:** Equivalent of having possession of a paper promissory note and thus the right to enforce it (originator/warehouse lender/servicer/etc)
  - **Location:** Party that maintains or stores the authoritative copy of the eNotes. Can be the same as Controller
- **eVault:** A secure electronic document management system used to store the eNote and interface with the MERS® eRegistry. Used by the party named as the “Location” in MERS®.

# eMortgage 101

- **Remote Online Notarization:** Notarization where the signer and notary are not in the same physical location, but rather meet via live, two-way audio/video technology and signatures are electronically affixed to the documents.
- **Hybrid Closing:** Generally refers to a closing where some documents or processes are done online and some are done in person. PennyMac uses the term hybrid closing to refer to closings where, at a minimum, the promissory note is electronically signed - any other documents may be wet or e-signed.
- **Tamper-evident seal:** Affixed to electronic documents after the borrower has signed so that the closing documents cannot be altered.

# What are the Benefits of eNotes





## eNote Data:

### Year-Over-Year Growth

eNotes Registered on the MERS eRegistry



August 2021:  
53,901 eNotes registered

1,330,000 eNotes registered since inception of the MERS®  
eRegistry.

# MERS® eRegistry Adoption

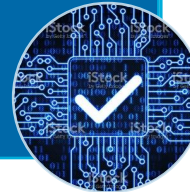
- 55+ Org IDs currently integrating with the MERS® eRegistry that will move into production in 2021

## Shadow Supply



- 180+ companies are live on the MERS® eRegistry as of August 2021
- 6 new companies integrated in August

## Live Companies



- A 48% year-over-year increase in the number of companies transacting on the MERS® eRegistry in August

## Transacting Companies



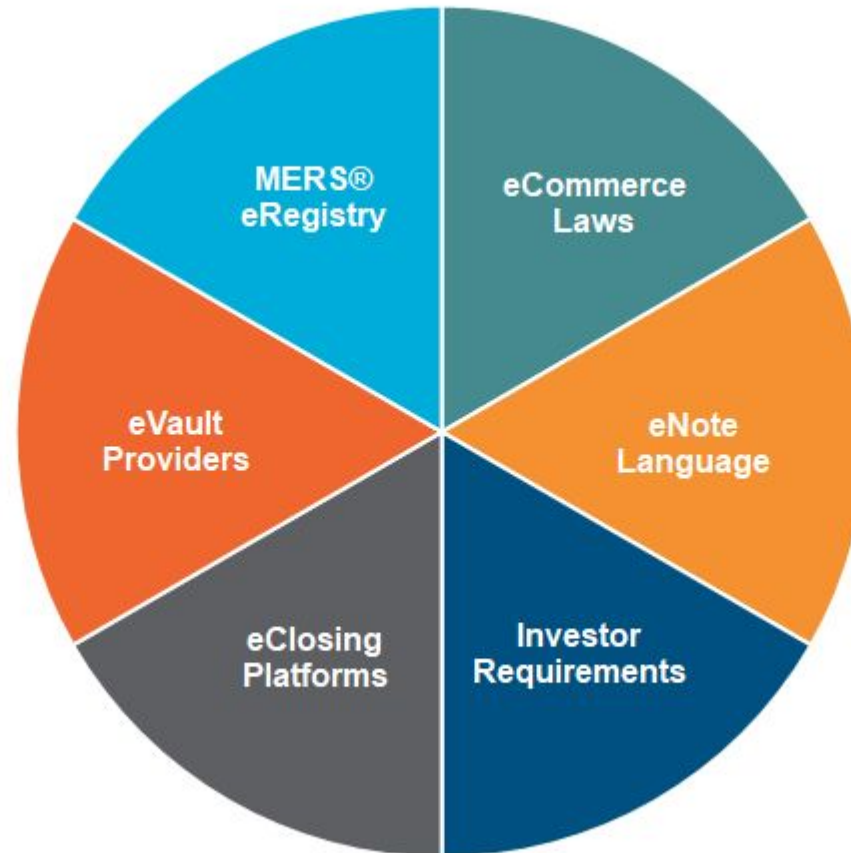
# Overview of the MERS® System and MERS® eRegistry

MERS® System: Security Instruments	MERS® eRegistry: Electronic Notes
<ul style="list-style-type: none"><li>• National electronic registry that tracks changes in Mortgage servicing rights and beneficial ownership interests in loans secured by residential real estate.</li></ul>	<ul style="list-style-type: none"><li>• System of record for identifying the Controller (holder) and Location (custodian) of the Authoritative Copy of an eNote.</li></ul>
<ul style="list-style-type: none"><li>• Transactions may be initiated manually via MERS® Online or via an interface</li></ul>	<ul style="list-style-type: none"><li>• All transactions are system-to-system, eVault to MERS eRegistry</li></ul>
<ul style="list-style-type: none"><li>• Secure system where lenders submit and track Security Instrument information.</li></ul>	<ul style="list-style-type: none"><li>• Secure system where lenders submit and track eNote information.</li></ul>
<ul style="list-style-type: none"><li>• Transfer transactions require an overnight cycle to process</li></ul>	<ul style="list-style-type: none"><li>• Transactions are submitted via eVault system interfaces, with an online application to view information.</li><li>• Transfer transactions are processed real time.</li></ul>

# Expand your knowledge

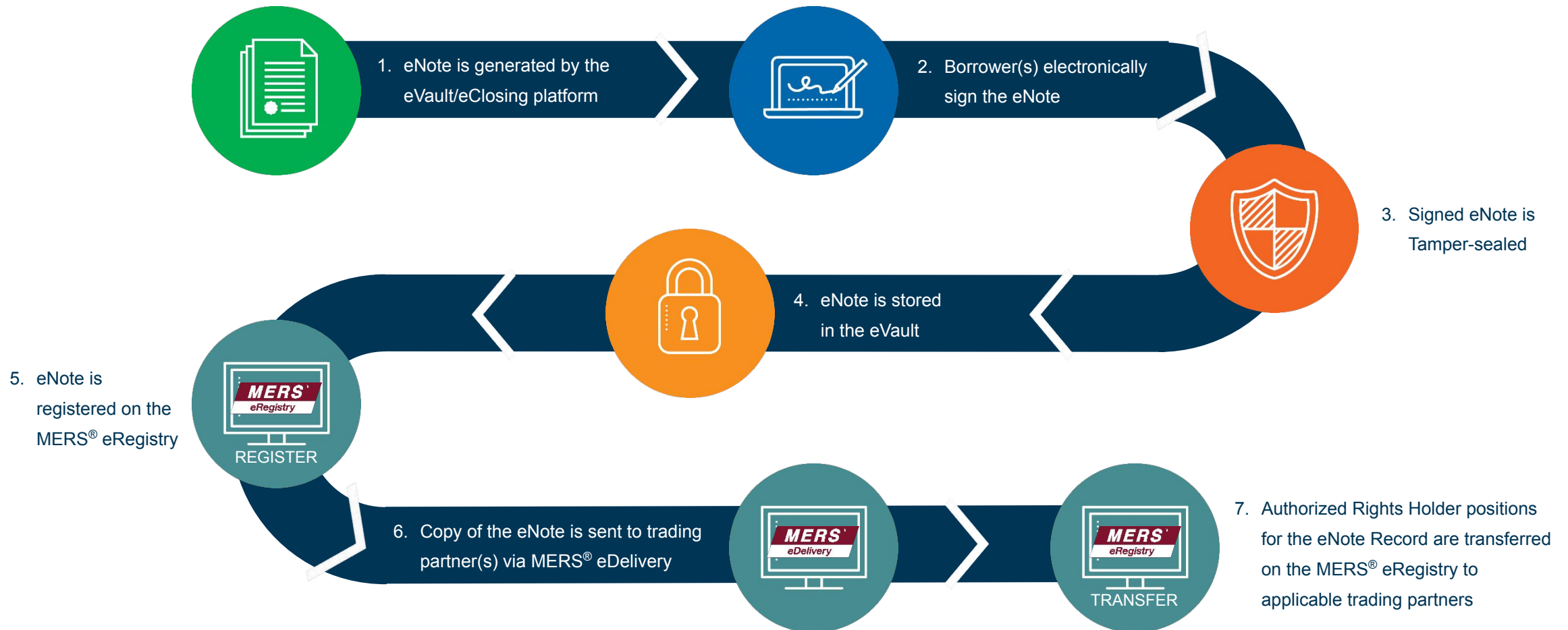
## eNote Control Ecosystem

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# Expand your knowledge

## Standard eNote Flow



# Expand your knowledge

## Importance of an eVault

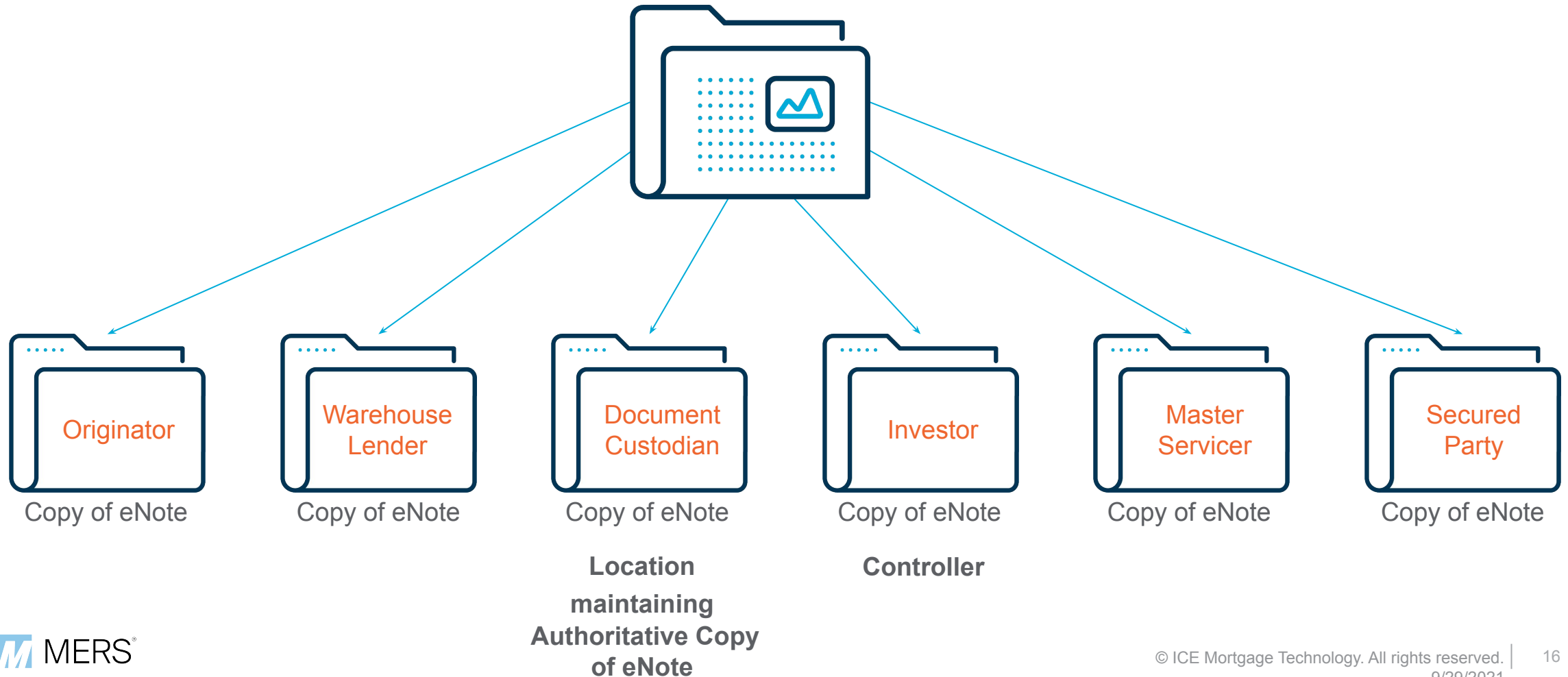
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eVault – an electronic repository for delivery and storage of eNotes and other files

- An eVault typically has these characteristics:
  - A user interface and system interfaces, including an interface to the MERS® eRegistry
  - Security (authorized access, transaction audit trails, back-ups, etc.)
  - Complies with Investor requirements
  - Provided as part of a vendor's solution
- Functionality to:
  - Distinguish the single authoritative copy of an eNote it is storing from any other retained copies
  - Validate the tamper seal of the eNote
  - View and print a copy of an eNote
  - View data associated with the eNote (e.g. Controller, Location, Servicer, loan status, other documents, etc.)
  - Initiate/receive transactions from the eRegistry/eDelivery systems.

# Expand your knowledge

eNotes are Electronic Files and Can be Duplicated



# Know your role

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## Controller

- Has control of Authoritative Copy of eNote.

## Location

- Maintains Authoritative Copy of eNote on behalf of Controller.

## Master Servicer

- Participant authorized by Controller to perform certain MERS® eRegistry transactions on Controller's behalf.

## Subservicer

- Participant authorized by Master Servicer to perform certain MERS® eRegistry transactions on their behalf.

## Secured Party

- Participant has been sold, pledged, assigned, or granted a security interest in eNote by Controller.



# MERS Requirements

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- Contact your [MERS® Regional Director](#) to discuss implementing eNotes
- Review and revise internal processes
- Identify and obtain technology resources, including an eVault
- Communicate with trading partners
- Sign the MERS® eRegistry Addendum
- Appoint a project manager for MERS® eRegistry integration

# eMortgage with PennyMac

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Spencer Balsz  
Sr. Project Manager, PennyMac



This Presentation is intended as a high level overview. Any discussion of electronic mortgages, eNotary, or other eMortgage issues, or other guideline and program requirements, are discussed on an example basis only are not substitutes for legal advice from your own counsel. Any potential transactions submitted to the PennyMac Correspondent Group are governed solely by the Correspondent Agreement and the Correspondent Guide.

The lender you can call home 19

# Benefits of eMortgages with PennyMac

- Over 2 years of experience delivering eMortgages to both Fannie Mae and Freddie Mac
- Approved to deliver eMortgages with Ginnie Mae
- PennyMac is one of 6 organizations that can both purchase and service eMortgages ([as of 9/22/2021](#))
- Partnered with Deutsche Bank to provide eVault services, the largest custodian in the eMortgage market with over 90% of volume
- Supports RON closings in the 20 states with permanent RON legislation. This currently is limited to In-State RONs with future plans to support Out-of-State RONs
- Five approved RON service providers to assist clients successfully complete remote closings

# PennyMac Approved Partners

## Warehouse Lenders

- JP Morgan
- TCB
- TIAA
- Associated Bank
- Benchmark Bank
- Flagstar Bank
- Independent Bank
- Legacy Texas
- Merchants Bank
- Origin Bank
- People's United Bank
- Prosperity Bank
- Republic Bank

## Custodian/eVault Provider

- Deutsche Bank

## Investors

- Fannie Mae
- Freddie Mac
- Ginnie Mae (coming soon in 2022!)

# Remote Online Notarization (RON)

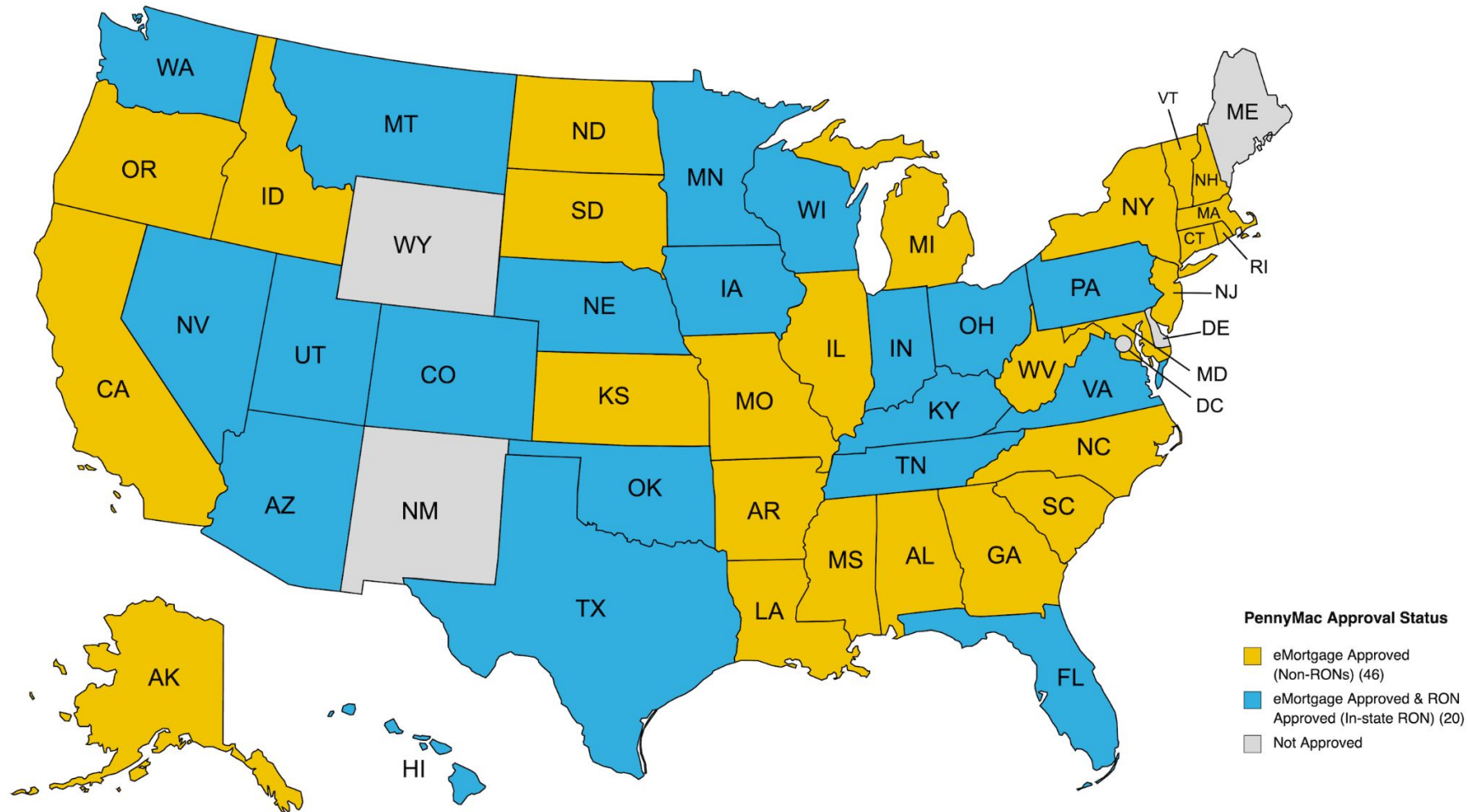
- **Traditional In-Person Notarization:** Fully manual, non-electronic notarization involving wet ink signatures and manual stamping and certification of signatures.
- **Remote Online Notarization:** Notarization where the signer and notary are not in the same physical location, but rather meet via live, two-way audio/video technology and signatures are electronically affixed to the documents.
  - *Enhance borrower experience* - flexible and convenient online appointments
  - *Error notifications* - software can easily detect missed or incorrectly entered fields
  - *Efficiency* - shorter closing times & faster turnaround times by notaries

## PennyMac Approved RON Providers

- eNotaryLog
- Nexsys Tech
- Notarize
- NotaryCam
- Pavaso

	In-Person Notarization	Remote Online Notarization
Signer	Wet ink signature	Electronic signature
Notary	Handwritten signature + Stamp	Digital certificate + Electronic tamper seal

# PennyMac State Approval



Created with mapchart.net

# Getting Started with PennyMac

Once you've successfully completed your registration with MERS®, here are the next steps to begin delivering eMortgages to PennyMac:

1. Reach out to your [Account Executive](#)
2. Review & execute the terms of the [eMortgage Addendum to the MLPA](#)
3. Review the terms & product eligibility in our [eMortgage Guide](#)
4. Review & execute the terms of the [eNote Control Transfer and Custodial Agreement](#) along with your warehouse lender(s)
5. Once the eMortgage Addendum to the MLPA and eNote Control Transfer and Custodial Agreement are executed, PennyMac will conduct a [testing session](#) with you and Deutsche Bank - our eVault provider - to ensure that loans are being transferred back and forth properly

# Questions?





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# Appendix

- MERS® Resources
- [PennyMac Correspondent eMortgage Guide](#)
- PennyMac Approved RON Service Providers
  - [eNotaryLog](#)
  - [Nexsys Tech](#)
  - [Notarize](#)
  - [NotaryCam](#)
  - [Pavaso](#)

# Resources

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- MERS® eRegistry and eNote Tools
  - [MERS® eRegistry Integration Guide](#)
  - [Checklist: Preparing for MERS® eRegistry Integration](#)
  - [eNote Legal White Paper](#)
  - [eNote and MERS® eRegistry FAQ](#)

## Key Websites

- [MERS® eMortgage Resources](#)
- [List of Companies integrated with the MERS® eRegistry](#)
- [MERS® eNote Webinars](#)
- [Fannie Mae eClosings and eMortgages](#)
- [Freddie Mac Electronic Loan Documents](#)

