

Seller/servicer risk self-assessment

Mortgage Electronic Registration Systems (MERS)

MERS® is an electronic system that assists in the tracking of mortgage loans, servicing rights, and security interests. A seller/servicer that wants to register a newly originated loan with MERS may prefer to designate MERS as the nominee for the beneficiary in the security instrument. Doing so eliminates the need for a subsequent assignment of the security instrument should the seller/servicer sell (or transfer servicing of) the loan to another seller/servicer that is a member of MERS. To initiate the electronic tracking, the seller/servicer assigns a special MERS Mortgage Identification Number (MIN) to the loan and registers it in MERS*.

**MERS is a registered trademark of MERSCORP Holdings, Inc.*

In this document

- Self-Assessment Checklist
- Common Findings and Documentation

Resources

- *Selling Guide* B8-7-01, Mortgage Electronic Registration Systems (MERS)
- Guide to Delivering eMortgage Loans to Fannie Mae

Self-Assessment Checklist

Required

- ☐ Written policies and procedures for registering loans with MERS.
- ☐ A process to create a standard MERS security instrument for each jurisdiction, prepared in a timely manner. Instructions for state-specific security instruments are in the Fannie Mae *Selling Guide*.
- ☐ A process that includes steps to report the MERS registration when the loan is delivered to Fannie Mae.
- ☐ A process that includes detailed steps on how to resubmit corrected information if an error is made on the initial submission.
- ☐ A process to ensure that for each MERS-registered mortgage, the applicable MIN is included on the security instrument and related documents.

Additional checklist items

Recommended

- ☐ An oversight process to ensure that information pertaining to MERS is always updated and accurate.
- ☐ If controls related to MERS are imbedded in the loan origination system, ensure they are also documented in a procedure to show evidence of activities and requirements.

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Common Findings and Documentation

Mortgage Origination Risk Assessment (MORA)

Fannie Mae conducts regular reviews to evaluate compliance with our guidelines and assess operational risks. Reviews are conducted by a team that operates independently of customer account relationship management in Fannie Mae's Single-Family mortgage business. A Mortgage Origination Risk Assessment (MORA) review is intended to be a joint activity conducted by the review team with the active participation of your organization.

The **required documentation, common findings, and corrective actions** listed below are specific to the topic of this risk self-assessment, Mortgage Electronic Registration Systems.

Required documentation for a review

Written policies and procedures related to the MERS registration of mortgages that are sold to Fannie Mae must address:

- The generation and assignment of the 18-digit MIN.
- Processes to ensure the MERS registration information is provided to Fannie Mae upon delivery.
- Processes to ensure accurate and timely preparation and recordation of security instruments, assignments, lien releases, and other documents related to MERS-registered mortgages.
- Processes in place to address the correction of the MIN as necessary.
- Processes to ensure that for each MERS-registered mortgage, the applicable MIN is included on all documents related to the mortgage.
- Processes to create a standard MERS security instrument for each jurisdiction.

Common findings

- The seller/servicer does not have comprehensive policies and procedures in place to comply with Fannie Mae MERS requirements.
- The seller/servicer is not following its policies and procedures to comply with Fannie Mae MERS requirements.
- The seller/servicer's MERS policies and procedures do not include all the required components.
- The seller/servicer's MERS policies and procedures do not have a process to create a standard MERS security instrument for each jurisdiction. The Instructions document for each state-specific security instrument may be found on Fannie Mae's Legal Documents website.

Corrective actions

Corrective actions should require implementation of required policies and procedures, the identification of a control function to ensure they are updated on a regular basis, training for responsible parties, and validation that the required activities are completed in line with Fannie Mae *Selling* and/or *Servicing Guide* requirements.

What's next?

Use the insights you have gained — especially any gaps identified in your practices and processes — to create a customized action plan.

This document is provided for informational purposes. In case of any conflict between this document and the Selling Guide and/or Servicing Guide, the Guides will govern.