



October 9, 2014

Federal Housing Finance Agency
Office of Budget and Financial Management
400 7th St., SW, Washington, DC 20024

Attn: Stefanie Johnson & Corrine Russell

Re: Request for Input: Proposed Single Security Structure

Dear Ms. Johnson & Ms. Russell:

Attached for your consideration are comments on the Proposed Single Security Structure submitted on behalf of MERSCORP Holdings, Inc. and Mortgage Electronic Registration Systems, Inc.

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 black ink, appearing to read "WCH", is positioned 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 Single Security Structure
Submitted October 9, 2014 by
MERSCORP Holding, Inc. and Mortgage Electronic Registration Systems, Inc.***

MERSCORP Holding, Inc. and Mortgage Electronic Registration Systems, Inc. (collectively, "the Companies") are pleased to provide comments to the Federal Housing Finance Administration (FHFA) regarding its proposed Single Security Structure for Fannie Mae and Freddie Mac (together, the "Enterprises").

Combined, the Companies are an industry utility that supports the orderly and efficient handling of the security interests associated with mortgages and deeds of trust underlying the securities issued by the Enterprises. While the Companies are not directly involved in the creation, management, or operation of mortgage-backed securities, they do play a vital role in ensuring a sound chain of title for underlying collateral and provide greater liquidity for mortgage loans in secondary market. Mortgage Electronic Registration Systems, Inc. serves as the recorded mortgagee or beneficiary on behalf of the members of the MERS® System. In conjunction with this service, MERSCORP Holding, Inc. owns and operates: (1) the MERS® System, the registry for this collateral, and (2) the Mortgage Identification Number ("MIN"), the mortgage industry's unique loan identifier. The MERS® System is incorporated into virtually every major origination, servicing and investor system. Approximately two-thirds of all new residential mortgage loan originations are registered on the MERS® System. The services provided by the Companies for the members of the MERS® System are permitted for mortgage loans guaranteed by the Enterprises.

The proposed Single Security is part of FHFA's larger efforts to harmonize the working of the Enterprises as reflected in the FHFA strategic plan. As these efforts are highly interdependent, it is vital that:

- the Single Security Structure be consistent with the standards that the FHFA adopts in other areas (including the Uniform Mortgage Data Program, the Common Securitization Platform, and new pooling, servicing, and disclosure requirements); and
- Industry-standard interfaces, industry software, and industry data standards be utilized wherever possible to allow for faster implementation and lower costs.

New Pooling requirements should continue to support the use of Mortgage Electronic Registration Systems, Inc., the MERS® System and the MIN.

For more than a decade, the Companies have been an integral and vital part of the mortgage industry and the value chain that runs from loan originators to securitizers. By having Mortgage Electronic Registration Systems, Inc. serve as the mortgagee or beneficiary on security instruments, the industry is able to use a single entity to hold title to the mortgage lien thereby eliminating the need for assignments of the security instrument (previously required by purchasers in some circumstance; particularly, when a mortgage loan was sold or servicing rights were transferred), which in turn facilitates the transfer of mortgage loans and the creation and maintenance of mortgage pools for mortgage backed

securities. Having the title to the mortgage lien held by Mortgage Electronic Registration Systems, Inc. also protects that security's mortgage pool from potential disruptions that could result if a servicer unexpectedly ceases operation.

Because of the benefits the Companies provide to the Enterprises, the mortgage industry, and the securities market, the FHFA should ensure that, in designing and transitioning to a new Single Security Structure, no actions are taken that would prevent or otherwise disrupt the function and use of the MERS® System and Mortgage Electronic Registration Systems, Inc. Further, in designing any new pooling standards or requirements, including any pooling and servicing agreements, the FHFA should explicitly allow for the use of Mortgage Electronic Registration Systems, Inc. as nominee and mortgagee for loans backing the Single Security, as is currently allowed for under the Enterprises' rules.

Utilize a Common Disclosure Framework Built on the MERSCORP Holdings, Inc., MIN and MISMO Data Standards

Maximizing secondary market liquidity and ensuring full fungibility between the legacy securities issued by the Enterprises and the new Single Security are important FHFA goals. One area where industry capabilities can be leveraged to achieve these goals is the means by which loans making up the Single Security are identified and corresponding loan level data tracked. The use of a common disclosure framework would help assure continuity and equalize tracking and disclosure costs.

The Enterprises (and the Federal Housing Administration and Department of Veterans Affairs) allow for the use of Mortgage Electronic Registration Systems, Inc. in their forms of security instruments. The use of Mortgage Electronic Registration Systems, Inc. is also mandated for security instruments that are the security for electronic mortgage notes purchased by the Enterprises. FHFA should maintain and build upon this process.

In order to support the identification of a mortgage tied to multiple investors and servicers, a unique life of loan identifier was established. The MIN is the industry's only unique loan identifier. As the MIN is already in use tracking more than 60% of all current mortgages, it is the only cost effective identifier solution for mortgages in existence. It is also tied to a proven high availability, secure registry to validate the identifiers validity/uniqueness and associate it to relevant data. If a mortgage loan identifier were to be required for the Single Security that was different from that used for agency MBS and PC, it would result in significant development, implementation and operational costs for the industry. Systems up and down the housing finance value chain (originators, insurers, securitizers, and counterparties) would have to be reconfigured to accommodate a new number and provide quality assurance. By using the MIN as the identifier for loans comprising the Single Security, no reconfiguration would be required and the extra cost would be avoided.

Likewise, FHFA should, when determining its disclosure requirements, utilize data standards adopted by the Mortgage Industry standards Maintenance Organization ("MISMO"). MERSCORP Holdings, Inc. is a longtime supporter, sponsor and user of MISMO and its standards.