FREDDIE MAC eMORTGAGE HANDBOOK

Version 1.0

Requirements for Participating in Freddie Mac's eMortgage Initiative

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NOTICE

This Electronic Mortgage Handbook ("Handbook") has been prepared by Freddie Mac for its Seller/Servicers that enter into negotiated agreements with Freddie Mac to originate and sell electronic Mortgages to Freddie Mac. Electronic Mortgages ("eMortgages") are Mortgages that have an electronic Note ("eNote"). An eMortgage may also have an electronic Security Instrument and certain other electronic mortgage file documents. If a Seller enters into a negotiated agreement with Freddie Mac to sell eMortgages, the requirements contained herein will be incorporated into and become a part of the negotiated agreement and will amend and supplement the Freddie Mac *Single-Family Seller/Servicer Guide* ("Guide") and Seller/Servicer's other Purchase Documents. The requirements in this Handbook are subject to revision by Freddie Mac at any time at its sole discretion. Notwithstanding anything contained in the Guide or Seller/Servicer's other Purchase Documents to the contrary, any such revision shall be effective as of the date specified by Freddie Mac. The information contained in this Handbook is not a statement of law and does not create any rights in any Seller/Servicer or any other party.

Section 1 Introduction

The *Freddie Mac eMortgage Handbook*, when incorporated into Seller/Servicer's other Purchase Documents, sets forth Freddie Mac's requirements for Seller/Servicers that wish to originate and sell eligible eMortgages to Freddie Mac. This Handbook replaces and supercedes, in its entirety, the Freddie Mac *Preliminary Specifications for Electronic Mortgage Loan Documentation* published in 2001 and made available to the mortgage industry.

1.1   Contents

This Handbook addresses the following important issues related to creating and selling eMortgages to Freddie Mac:

Section 2 – eMortgage Setup Requirements	• What you need to know to become eligible to sell eMortgages to Freddie-Mac
	• Data Privacy requirements
	• Technical and non-technical requirements for Sellers/Servicers, Custodians, Notaries Public, and Systems Providers involved in the eMortgage closing process.
Section 3 – eCustodian Eligibility Requirements	• What you need to know to become a Freddie-Mac-approved eCustodian
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	• Title insurance requirements for eMortgages
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Section 5 – Electronic Records Maintenance and Administration of Records for Freddie Mac	• How to maintain electronic documents with Electronic Signatures
	• Required electronic formats for eMortgage File documents
	• Use of tamper-evident seals
	• Requirements for document quality and storage
	• Definition of and standards for maintaining hybrid loan files
	• Requirements for maintaining electronic documents in Mortgage Files that are not required to be held by an eCustodian
	• Rules for inspection of electronic Mortgage Files
	• Requirements for transfers of custody of electronic Mortgage Files and eNotes.

Section 6 – Delivery	• How to certify eNotes
	• Documents required to be delivered to the eCustodian by the Seller
	• Instructions for holding eNotes, eNote Modifications, and Security Instruments
	• Requirements for using the MERSCORP, Inc. Note Holder Registry to register eNotes, execute transfers to Freddie Mac, and record other actions
	• Requirements for eNote Modifications, including certifying and registering these documents in the MERSCORP, Inc. Note Holder Registry
	• Requirements for modifying Security Instruments for counties that cannot record electronic Security Instruments.
Section 7 – Servicing Requirements	• How to effect Transfers of Servicing
	• Requirements for access to custodial documents
	• Requirements for assumptions of eMortgages
	• Requirements for eMortgage deeds-in-lieu of foreclosures, foreclosures, and payoffs.

1.2   Intent

This Handbook is intended to provide Seller/Servicers, Custodians, System Providers, and other mortgage industry participants with Freddie Mac's requirements for creating eMortgages that are eligible for sale to Freddie Mac. It is also intended that publishing this Handbook demonstrate Freddie Mac's continued support of the mortgage industry's goal of moving from paper documents to electronic documents in a manner that is prudent and consistent with safe and sound practices.

1.3   Interpreting Requirements Set Forth in this Handbook

In addition to the requirements set forth in this Handbook for eligible eMortgages, the Seller/Servicer's negotiated Purchase Documents may include supplemental requirements. Seller/Servicers and Custodians will be required to make certain representations and warranties regarding their compliance with requirements in this Handbook and in other agreements, as applicable.

1.4   Conventions

Capitalized terms used herein shall have the meaning ascribed to such terms in Appendix B: Glossary of Terms of this Handbook, the Freddie Mac *Single-Family Seller/Servicer Guide*, Seller's other Purchase Documents, E-SIGN, and UETA.

1.5   Background

The requirements and specifications of this Handbook are based on the requirements of the federal Electronic Signatures in Global and National Commerce Act (E-SIGN), adopted by Congress and signed into law by the President in 2000, and the Uniform Electronic Transactions Act (UETA), adopted by the

National Conference of Commissioners on Uniform State Laws (NCCUSL) and recommended for adoption by the 50 states, the District of Columbia, U.S. possessions and territories in 1999.

E-SIGN and UETA put Electronic Records and Electronic Signatures on an equal footing with paper-based documents and written signatures. E-SIGN and UETA were designed to be technology neutral—that is, they were drafted and adopted as general enabling acts that leave the choice of technology to the parties relying upon these laws. These new laws do not have interpretive rules, or regulations, although the model UETA does contain prefatory notes and commentary. Until case law interpreting E-SIGN and the UETA, as enacted in any particular jurisdiction, has developed, the mortgage industry will need to promulgate standards to support the mortgage industry's use of eMortgages.

Section 2 eMortgage Setup Requirements

This section addresses requirements for key participants involved in the eMortgage loan closing process.

2.1 Complying with Freddie Mac Requirements

Participants in an eMortgage loan closing process using an electronic mortgage closing system, electronic vault, or other system concerning the creation, registration, transfer, storage, retrieval, maintenance, and security of the eNotes must comply with the requirements specified in this Handbook. In addition, contracts for services provided in connection with the creation, registration, transfer, storage, retrieval, maintenance, and security of eNotes will be required to incorporate certain terms and conditions.

2.1.1 Selling eMortgages to Freddie Mac

Seller/Servicers who wish to sell eMortgages to Freddie Mac should contact their Account Manager to begin the process of determining their ability and readiness to originate and sell eligible eMortgages to Freddie Mac. Seller/Servicers that have been approved by Freddie Mac to sell eligible eMortgages to Freddie Mac and whose Purchase Documents have been amended by appropriate negotiated contract language must comply with all of the requirements in their amended Purchase Documents, including the requirements in this Handbook.

2.1.1.1 Seller/Servicer Representations and Warranties

In addition to making all applicable representations and warranties in the *Single-Family Seller/Servicer Guide* and Seller/Servicer's other Purchase Documents, each Seller/Servicer selling eMortgages to Freddie Mac represents and warrants to Freddie Mac that:

- Any Electronic Record that is intended to constitute an eNote is a Transferable Record, and the eNote and the Systems used to create, register, transfer, store, retrieve, maintain, and secure the eNote, comply with all requirements under E-SIGN and/or UETA, as enacted by the applicable jurisdiction, including, without limitation, Section 201 of Title II of E-SIGN and Section 16 of the applicable UETA, and any other applicable laws.

- Any other Electronic Records in the electronic Mortgage File, and the Systems used to create, record, transfer, store, retrieve, maintain, and/or secure such Electronic Records, comply with all applicable laws, regulations, and rules and applicable requirements in this Handbook.

- The Electronic Signature process employed by the System used to create the Electronic Signature complies with all legal requirements under E-SIGN and/or UETA, as enacted by the applicable jurisdiction, including, without limitation, Section 201 of Title II of E-SIGN and Section 16 of the applicable UETA, and any other applicable laws, regulations, and rules, and applicable requirements in this Handbook.

- The consumer pre-consent disclosures and the Consumer Consent Form used by the Seller/Servicer to obtain the Borrower's and any other applicable consumer's (co-borrower, property owner, property seller) consent to engage in an eMortgage transaction comply with Section 101 of Title I of E-SIGN and all other applicable state and federal laws, regulations, and rules, and applicable requirements in this Handbook.

- Each and every eMortgage sold to Freddie Mac is in compliance with all applicable laws, regulations, and rules and is a valid, enforceable, and effective first lien on the Mortgaged Premises.

- Seller/Servicer will at all times comply with all applicable laws, regulations and rules, all applicable requirements in this Handbook and the System Rules in the Systems used to create, register, transfer,

store, retrieve, maintain, and secure the eNote for each eMortgage, and, if applicable, any other electronic Mortgage File documents.

- Seller/Servicer will use a Freddie Mac authorized eNote form with the required changes as set forth in Appendix A: Authorized Uniform Instruments and Required Changes to Uniform Instruments of this Handbook.

- Seller/Servicer will not sell any eMortgages to Freddie Mac that are Texas equity First Lien Refinance Mortgages originated under section 50(a)(6) of Article XVI of the Texas Constitution.

- Seller/Servicer will ensure that before the Borrower signs and the tamper-evident seal is applied to any MISMO Category 1 SMART Document securing a loan intended for sale to Freddie Mac, the data in the View section matches the data in the Data section.

2.1.1.1.1 Custodian Selection and Use of Multiple Custodians

Seller/Servicer must select an electronic Document Custodian (eCustodian) that meets the eligibility requirements described in Section 3 of this Handbook. Freddie Mac Document Custodial Services (DCS) will not certify or store eNotes.

Seller/Servicer may only deliver eNotes to a Custodian approved by Freddie Mac to be an eCustodian. The eCustodian selected by Seller and approved by Freddie Mac to hold Freddie Mac's eNotes may be a different entity than the entity that Seller and Freddie Mac use to hold Freddie Mac's paper Notes. Freddie Mac prohibits multiple Custodians from holding documents (paper or electronic) from the same loan file.

2.1.1.1.2 Custodian Agreement Process

Before delivering or transferring an eNote to an eCustodian on behalf of Freddie Mac, the Seller/Servicer, the eligible eCustodian, and Freddie Mac must enter into an eCustodial Agreement (Form 1035), which includes an amendment with special requirements for eNotes.

2.1.1.1.3 Special Requirements for Selling and Servicing eNotes

In addition to negotiating a special eMortgage agreement to sell eMortgages to Freddie Mac and complying with the requirements of Section 2.1.1, the Seller/Servicer must comply with the following special selling requirements:

- Seller/Servicer must sell all eMortgages through the Freddie Mac Selling System.

- Seller/Servicer must insert special characteristics code (SCC) #251 in one of the special characteristics code fields in the Selling System for each eMortgage sold to Freddie Mac.

- Seller/Servicer must close each eMortgage with MERS$^®$ as Original Mortgagee of Record (OMR) and register the eMortgage on the MERS$^®$ System prior to Freddie Mac purchasing the loan.

- Seller/Servicer must deliver a Certified Copy of the Authoritative Copy of the eNote to Freddie Mac (characterized by the tamper-evident digital signature matching the MERSCORP, Inc. Note Holder Registry) in addition to the Form 11 (Mortgage Submission Schedule for fixed-rate Mortgages and Balloon/Reset Mortgages).

- Seller/Servicer must agree to a means of documenting whether or not an eNote is being sold "with recourse" or "without recourse" in a manner that is: (i) legally comparable to the manner prescribed in the model UCC Article 3, Section 3-415 and (ii) acceptable to Freddie Mac, in its sole discretion.

- Seller/Servicer must make, and document, transfer warranties to Freddie Mac and its successors and assigns that are: (i) comparable to the transfer warranties in the model UCC Article 3, Section 3-416 and (ii) in a manner acceptable to Freddie Mac, in its sole discretion.

- Seller/Servicer must transfer the eNote to an eligible eCustodian (see Section 3 for custodian eligibility requirements).

- Seller/Servicer must immediately register each eNote intended for sale to Freddie Mac with MERSCORP, Inc. a Delaware corporation, as the Note Holder Registry, but in no event later than 24 hours after closing of the eMortgage.

- eCustodian must hold the eNote in an electronic storage system ("eMortgage Vault") that meets Freddie Mac's requirements (refer to Section 3.1.2.2 for eMortgage Vault requirements).

- Seller/Servicer may not transfer the servicing of an eMortgage to a Servicer that has not been expressly approved by Freddie Mac to Service eMortgages.

- Seller/Servicer may not sell Mortgages to Freddie Mac in which the eNote has been converted to a paper-based Note without getting Freddie Mac's specific and express written consent.

In addition to negotiating a special eMortgage agreement to service eMortgages for Freddie Mac, the Seller/Servicer must comply with the following special servicing requirements:

- Seller/Servicer must be able to perform all of the functions related to servicing eMortgages through the full life-of-the-loan of the eMortgage, including modifications, assumptions, changes to the eNotes, releases and satisfactions, foreclosures, etc.

- Seller/Servicer must identify all eMortgages in its servicing system as eMortgages and apprise its staff of any special Freddie Mac eMortgage servicing requirements.

- Seller/Servicer must be able to perform all appropriate transactions with the MERSCORP, Inc. Note Holder Registry to ensure that events during the life-of-the-loan are properly processed, and, if necessary, registered in the Note Holder Registry (refer to Section 6.2 for MERS guidance).

- Neither the Seller/Servicer nor the eCustodian may convert an eNote to a paper-based Note without obtaining Freddie Mac's specific and express written consent. Conversion of an eNote to a paper-based Note is solely at the discretion of Freddie Mac.

2.1.1.1.4   Data Privacy

For purposes of this Section, the term "Sensitive Private Information" means any "non-public personal information" as defined in the Gramm-Leach-Bliley Act as well as any information that is subject to any other federal, state, and local laws governing or relating to data privacy or the safeguarding of personal information. For example (and without limiting the foregoing), "Sensitive Private Information" often includes an individual's name, address, or telephone number, in conjunction with one or more of the following: his or her social security number, driver's license number, or account number.

Seller/Servicer represents and warrants that it will comply with any provisions of the Gramm-Leach-Bliley Act, its implementing regulations, and other federal, state, and local laws governing or relating to data privacy or the safeguarding of personal information that are applicable to the parties or to Sensitive Private Information related to loans owned by Freddie Mac. Further, Seller/Servicer represents and warrants that it will undertake such reasonable actions as may be required to enable Freddie Mac to comply with such laws and regulations.

Seller/Servicer will promptly notify Freddie Mac when Seller/Servicer learns of an event (1) affecting Sensitive Personal Information related to loans that Seller/Servicer is servicing on behalf of Freddie Mac and (2) that Seller/Servicer believes is likely to trigger a notice obligation under any federal, state or local

laws that require notices of the unauthorized acquisition or misuse of personal information (a "Security Breach"), such as but not limited to the California law known as SB 1386. Seller/Servicer will cooperate with Freddie Mac in connection with any such Security Breach and will provide all information and assistance reasonably requested by Freddie Mac in connection with Freddie Mac's due diligence inquiry into the event. In conducting any due diligence inquiry into Security Breaches related to Seller/Servicer's systems or facilities, Freddie Mac will make a good faith effort to coordinate with any of Seller/Servicer's ongoing investigation/remediation efforts that meet or exceed industry standards so as to avoid unnecessary duplication of or undue interference with Seller/Servicers' efforts. If both Freddie Mac and Seller/Servicer are required to notify affected individuals following a Security Breach, Freddie Mac and Seller/Servicer will discuss whether it would be appropriate and feasible to provide a single form of notice. In addition, Seller/Servicer will give Freddie Mac reasonable advance notice if Seller/Servicer intends or is required to provide notices that identify Freddie Mac or could lead to a belief that Freddie Mac was involved in the Security Breach. Without limiting any other rights or remedies that may be available to Freddie Mac, Seller/Servicer will reimburse Freddie Mac for the reasonable costs and expenses Freddie Mac incurs as a result of each Security Breach involving Sensitive Personal Information under Seller/Servicer's control.

Seller/Servicer will ensure that all other parties to which it discloses Sensitive Private Information comply with the requirements of this Section. Seller/Servicer will be liable to Freddie Mac for the failure of any such parties to comply with such requirements.

2.1.2 Notary Public

At present, few counties are ready to accept electronic Security Instruments for recording. As a consequence, most eMortgage transactions for the foreseeable future will most likely only have an eNote and possibly other electronic Mortgage File documents. The Security Instrument, in most cases, will continue to be a paper document for some time. As most Security Instruments will be paper documents, the Borrower's signature on the Security Instrument will be a traditional written signature and the notary public's acknowledgement of the Borrower's written signature on a Security Instrument will be a traditional written acknowledgement.

2.1.2.1 Electronic Notarization of Electronic Documents

Freddie Mac will not accept remote or automated notarization equivalents as a substitute for the personal appearance of the Borrower before the notary public at loan settlement under any condition.

The System Provider providing an electronic notarization System must comply with all laws, regulations, and rules to assure that an electronic notarization of an electronic Mortgage document is effective, valid, enforceable, and complies with applicable law. Paper records that currently require notarization will continue to require notarization even if they are replaced with Electronic Records.

The Seller/Servicer must represent and warrant that the System being used to facilitate the electronic notarization process complies with the requirements for Electronic Signatures under E-SIGN, the applicable UETA, and other applicable laws.

The Electronic Signature requirements set forth in Section 4.3 will also apply to the notary public's Electronic Signature.

Section 3   eCustodian Eligibility Requirements

This section addresses Freddie Mac's eligibility criteria to become an eCustodian and requirements for eMortgage Vault System Providers, including the eMortgage Vault.

3.1   Becoming an eCustodian

A Custodian that desires to become a Freddie-Mac approved eCustodian must be selected and recommended by a Freddie-Mac approved Seller/Servicer, which must submit a document custodian application to Freddie Mac's Document Custodian Eligibility Unit. Freddie Mac will determine, based upon the information provided, whether or not the Custodian meets Freddie Mac's minimum requirements to be an eCustodian on its behalf. The information that must provided to Freddie Mac includes, but is not necessarily limited to:

- The legal opinion as specified in Section 3.1.2

- The technical review results as specified in Section 3.1.2

- An eCustodian application addendum/questionnaire.

Freddie Mac may conduct an on-site interview to analyze and assess the Custodian's qualifications to be an eCustodian.

3.1.1   eCustodian Requirements

Before delivering an eNote that has been sold to Freddie Mac to a Freddie-Mac approved eCustodian, the Seller/Servicer must deliver to Freddie Mac a Custodial Agreement (Form 1035) amended by an eNote custody amendment to the Custodial Agreement prepared by Freddie Mac (collectively, the "eCustodial Agreement") that has been executed by the Seller/Servicer and an approved eCustodian.

The eCustodial Agreement by and among the Seller/Servicer, eCustodian, and Freddie Mac shall include, among other things, the eCustodian's agreement that:

- The eCustodian has no property interest whatsoever in the Freddie Mac eNotes and any other electronic Mortgage File documents (or the data that is contained therein) that are stored in the eCustodian's eMortgage Vault (or in an eMortgage Vault provided the eCustodian's System Provider) and will not use, rent, lease, barter, sell, or in any other way allow others to use the data for any purpose whatsoever, whether the data is in the aggregate and/or is anonymous, without Freddie Mac's express written consent.

- The eCustodian will not take any action or pursue or enforce any remedy that prevents Freddie Mac (or Seller/Servicer on Freddie Mac's behalf) from taking any and all actions that an owner of the eNotes may take, including, without limitation: (i) pursuing legal action under the eNotes; (ii) foreclosing under the Security Instruments securing the eNotes; (iii) defending against any legal actions brought in connection with any of the eNotes or the respective Security Instruments; (iv) settling disputes or claims in connection with any of the eNotes or the respective Security Instruments; (v) modifying , amending or restating the eNotes; (vi) canceling the eNotes; (vii) transferring the eNotes and any other electronic Mortgage File documents; and (viii) viewing or printing the eNotes and any other electronic Mortgage File documents that are stored in the eCustodian's eMortgage Vault (or in an eMortgage Vault provided by the eCustodian's System Provider).

- The eCustodian shall make eNotes and any other electronic Mortgage File documents owned by Freddie Mac that are stored in the eCustodian's eMortgage Vault (or in an eMortgage Vault provided

by the eCustodian's System Provider) available to Freddie Mac, Seller/Servicer, or the Borrower as requested by Freddie Mac or the Seller/Servicer.

- Notwithstanding any disputes that may arise between or among the eCustodian, the eCustodian's System Provider, Freddie Mac or the Seller/Servicer, including, without limitation: (i) any claims of breach of agreement; (ii) disputes over payment for services rendered, software licenses, custodial services, any other products or services; or (iii) any other disputed matter whatsoever, Freddie Mac (or Seller/Servicer on Freddie Mac's behalf) has an unconditional and absolute right, as owner of the eNotes and any other electronic Mortgage File documents stored in the eCustodian's eMortgage Vault (or in an eMortgage Vault provided by the eCustodian's System Provider) to have the eCustodian transfer Freddie Mac's eNotes and other electronic Mortgage File documents to another eMortgage Vault of Freddie Mac's choice, at any time and at its sole discretion.

- The eCustodian shall promptly transfer Freddie Mac's eNotes and any other electronic Mortgage File documents in the eCustodian's eMortgage Vault (or in an eMortgage Vault provided by the eCustodian's System Provider) at Freddie Mac's direction and in accordance with its instructions and the requirements of this Handbook, as amended from time to time.

- Freddie Mac (or Seller/Servicer on Freddie Mac's behalf) may enforce Freddie Mac's rights set forth above to have the eCustodian promptly transfer Freddie Mac's eNotes or to provide read-only access to and print capability of Freddie Mac's eNotes and any other electronic Mortgage File documents that are stored in the eCustodian's eMortgage Vault (or in an eMortgage Vault provided by the eCustodian's System Provider) as set forth above, in an action for specific performance, there being no other suitable remedy.

- Any agreement between the eCustodian and any System Provider under which the System Provider makes its System (eMortgage Vault) available to the eCustodian for the storage and maintenance of Freddie Mac's eNotes and any other electronic Mortgage File documents shall be consistent with the provisions of the eCustodial Agreement.

3.1.1.1   Annual Document Custodian Eligibility Certification Report

As indicated in the Form 1035 and eCustodian Amendment, all approved eCustodians must submit an Annual Document Custodian Eligibility Certification with an eCustodian Certification Addendum. The Certification provides a means for eCustodians to certify compliance with the requirements of this Handbook and requirements contained in the *Single-Family Seller/Servicer Guide.* The certification will also require the eCustodian to inform Freddie Mac of the primary and backup data hosting site(s) where eNotes are held.

3.1.1.2   Freddie Mac Termination of the Custodial Agreement

At its sole discretion, Freddie Mac may, following 30 days written notice to the Seller/Servicer and the eCustodian (or such shorter time as may be permitted under Form 1035 and the *Single-Family Seller/Servicer Guide*), terminate the Custodial Agreement and require the Seller/Servicer to cause all eNotes held by the eCustodian to be transferred within 30 days after the approval by Freddie Mac to another eCustodian. See Section 7.1.1 for additional guidance on this process.

3.1.2   System Requirements

The following is a list of requirements specific to eMortgage activities to which an eCustodian must comply in addition to complying with the eligibility requirements listed above and set forth in the *Single-Family Seller/Servicer Guide*. The eCustodian must:

- Provide a legal opinion from a law firm with a specialty in eCommerce and computer/Internet technology law and that is recognized nationally in the mortgage industry as having expertise with respect to E-SIGN and UETA and electronic notes and Mortgages that concludes the technology solution used to store the eNotes, as it relates to the storage and ongoing maintenance of electronic signatures and documents, meets the minimum requirements of E-SIGN and the UETA, including, without limitation, Section 201of Title II of E-SIGN and Section 16 of the model UETA, and any other applicable state and federal laws and does not jeopardize any safe harbor afforded by these laws. If an eCustodian uses a System Provider for the eNote storage technology solution, the System Provider may obtain the legal opinion, provided there are no material modifications to the system as implemented at the eCustodian's site that would compromise the validity of the opinion. Whether obtained by the eCustodian or vendor, the opinion shall be addressed to and run to both the Custodian and Freddie Mac.

- Provide a technical analysis from an independent third-party technology expert recognized nationally in the mortgage industry as having expertise with respect to eNote storage systems that confirms the storage system used by the Custodian meets MISMO and Freddie Mac's standards and requirements.

- Maintain systems and security that comply with requirements described in Section 3.1.2.2.

- Following the guidance in Section 2.1.1.1.4, contact Freddie Mac upon learning of any occasion, event, or incident that exposes the security of the technical solution or the confidentiality, integrity, and enforceability of the eMortgage Files owned by Freddie Mac.

3.1.2.1   eCustodian Use of Vendor Software, Hardware, and Services

Freddie Mac allows the use of third-party vendors to provide technical solutions for the storage of eNotes. The following terms apply to any such relationships:

- Freddie Mac does not prescribe the use of particular vendor solutions, nor do we approve vendors. The Seller/Servicer and eCustodian remain responsible for the adequacy of the systems and compliance with all guidelines and requirements under this document and any other such requirements Freddie Mac may issue governing the use of eNotes.

- The eCustodian must conduct proper and adequate due diligence regarding the capability of each System Provider and eMortgage Vault to store the eNotes safely and soundly. Prudent business practices dictate the use of contracts that specify obligations of performance and a process to confirm that such obligations are being met. As a Seller/Servicer or eCustodian, you should implement processes and controls that allow you to make that determination.

- All contracts between the eCustodian and third-party eMortgage Vault providers must specify that eMortgage Vault providers will comply with eCustodian instructions to send any Electronic Documents or Electronic Records required by Freddie Mac to Freddie Mac upon request, notwithstanding any dispute the system provider has with the contracting party.

- Permanent or contingent staff (i.e., temporary employees and consultants) of the eCustodian must perform responsibilities and duties of the eCustodian.

- Any data storage facilities used by the eCustodian or provided by the vendor must be domiciled in the United States.

- The eCustodian must ensure that any outsourced vendor systems comply with the Sarbanes-Oxley Act of 2002 and all other applicable laws.

3.1.2.2 Technical and Security Requirements for Custodian Information Systems

The eCustodian must use a secure electronic storage system – commonly referred to as the eMortgage Vault – for safekeeping of the eNote on the investor's behalf. The Custodian information system (System) mentioned in this Handbook is an aggregate of systems supporting eCustodian functions. This System must have electronic document transfer, processing, and integration capabilities with, but not limited to, other Custodians', MERS, and investors' systems. The eCustodian can either build such systems in-house, or purchase or license third-party vendor products (including software, hardware, and services) that provide corresponding capabilities.

3.1.2.2.1   System Audit Requirements

The eCustodian must conduct a system audit and generate a transactions audit trail to ensure the System's continued compliance with the minimum system and security requirements outlined here, which may be frequently updated to accommodate the rapidly developing standards supporting eMortgage transactions. The audit type and frequency will be negotiated and included in the Custodial Agreement but must be a SAS 70 Type II, SysTrust, or WebTrust audit as described by the American Accounting Industry. The results of such audit will be provided to each Freddie Mac Servicer and to Freddie Mac within 30 days of its completion and delivery to the eCustodian. The audit will serve as proof that the System meets the following Freddie-Mac required system and security controls:

- Prohibit co-mingling of assets

- Securely accept electronic documents

- Support original electronic document versions

- Interface with the MERS® eRegistry

- Transfer electronic documents to other custodians

- Authenticate users

- Support role-based access control and prevent unauthorized access

- Execute users, groups, and security policy

- Verify system integrity

- Verify document integrity and detect document alteration

- Validate eMortgage Vault tamper-evident seals

- Safeguard confidentiality of data in transit and at rest

- Audit significant events

In addition to assessing System security controls, the audit will evaluate compliance with Freddie-Mac required physical security controls as follows:

- Data center

- Backup and business continuity

3.1.2.2.2   System Security Requirements

The System must be capable of performing the activities described below to comply with Freddie Mac audit requirements.

Exclude Co-mingling of Assets

eCustodians must separate and segregate all eNotes and other electronic Mortgage File documents belonging to Freddie Mac and the data contained in such electronic documents stored in their in-house system or in a System Provider's storage System (eMortgage Vault) from any other party's eNotes, other electronic Mortgage File documents, and data. Freddie Mac's eNotes and other electronic Mortgage File documents and the data contained in such electronic documents that are stored in the eMortgage Vault must be promptly and clearly identifiable as Freddie-Mac owned eNotes, other electronic Mortgage File documents, and data contained in such electronic documents. Co-mingling of Freddie Mac's eNotes, other electronic Mortgage File documents, and data contained in such electronic documents with any other party's eNotes, other electronic Mortgage File documents, and data is strictly prohibited.

Securely Accept Electronic Documents

The eCustodian's System must support multiple means of electronic document and data delivery as specified in Section 5 of this Handbook. At a minimum, the System must be able to:

- Securely receive electronic custodial documents as described in Section 5.2.

- Use SISAC-recommended X.509 digital certificates for device/server-based TLS/SSL session authentication. Mutual authentication is recommended but not required. The digital certificate must support at least 128-bit data encryption for the TLS/SSL session to ensure data confidentiality and integrity during transit.

- Acknowledge the success or failure of the eNote transfer to sending systems, and have logging and reporting capabilities for eNote transfer events.

- Logically associate any riders, addenda, or other modifying instruments, whether electronic or paper, with the eNote using the MIN and/or Freddie Mac loan number.

Specifications on integration with Freddie Mac systems will be published at a future date.

Support Original Electronic Documents Version

The System must be able to support the MISMO industry standard version in which the electronic document was originally created. This includes but is not limited to the MISMO SMART Document Specification version as well as the Logical Data Set specification version used to create the document. This support must span the entire life of the document held within the eMortgage Vault. For any software used for the creation or storage of the electronic document (including the eMortgage Vault), the eCustodian must ensure the integrity of the software by following industry best practices and processes for software version changes and testing, retirement, and control.

Interface with the MERS® eRegistry

The *MISMO eVault Implementation Guide 1.0* provides both required and suggested eMortgage Vault system interface capabilities with the MERS® eRegistry. Refer to MERS® eRegistry published detailed system integration requirements (http://www.mersinc.org) for more information about transactions with MERS.

Transfer Electronic Documents to Other Custodians

The System must have the capability to transfer eNotes and other electronic Mortgage Files documents from one eCustodian eMortgage Vault to another. The System must support assets transferability (eMortgage Vault-to-eMortgage Vault) transactions that maintain the confidentiality, integrity, and enforceability of eMortgage assets from one eMortgage Vault to another. At a minimum, requesting or

submitting party identifier, eNote or eMortgage File to be transferred, and Transferee eCustodian system identifier need to be included in the transfer request, and the System must track transfer success or failure.

The MISMO eVault Working Group and MERS are developing additional standards on eNotes and other eMortgage File transfers between eMortgage Vaults. Freddie Mac will also publish more detailed guidance as standards in this area become clearer.

Authenticate Users

The System must support one or more authentication methods, e.g., user ID/password, X509 digital certificate, and biometrics. Freddie Mac recommends the use of SISAC-accredited Issuing Authority individual or organizational digital certificates.

If the System is using user ID/password for user authentication, the eCustodian or System Provider must impose a strong password construction policy. For example, the policy must require a minimum of at least two of the following in every password: lowercase letters, uppercase letters, special characters, and numbers. The policy might also enforce a minimum password length of eight characters, and restrict the use of common "weak" passwords such as user IDs, last names, dictionary words, etc.

The System must support password aging and enforce password change and store user passwords in encrypted form.

eCustodians must follow best practices to distribute user IDs and credentials to users. For example, if using email, two separate emails must be used, one for the user ID and another for the password. The System must force users to reset password upon initial login.

Support Role-Based Access Control and Prevent Unauthorized Access

The System must support role-based access control to eNotes and their supporting documents. The System must feature tiered access and permission to have detailed and flexible access control over user permission levels.

The System must be able to detect and block unauthorized access requests, log such events, and alert operational staff of failed access attempts.

The System must implement session management techniques to prevent unauthorized users from establishing a valid Session ID and accessing any resources within the application. A user's Session ID must be destroyed either due to an active logout from the application or due to predetermined system timeout parameters.

Execute Users, Groups, and Security Policy

The eCustodian must establish request and approval processes and procedures for granting access rights to eNotes, their supporting documents, and other custodian services provided by the System.

The System must support:

- CRUD (Create, Read, Update, Delete) activities on users, groups, protected resources, roles, access rights, and policies

- Distributed and remote administration functions (the eCustodian or System Provider must provide the support model and policies to transaction parties)

- Immediate removal of a user or role from the System if it is no longer authorized to access the System or service.

Verify System Integrity

The System must provide the following protections:

- Virus, worm, and other destructive software detection and removal

- Appropriate firewall and network protection provisions

- Intrusion detection.

Verify Document Integrity and Detect Document Alteration

The System must have the capability to verify document integrity including, but not limited to, compliance with eNote DTD or schema and eNote tamper-evident seal before accepting third-party submissions into the eCustodian systems.

The System must be able to verify tamper-evident digital signatures applied to eNotes by:

- Checking the Certificate Revocation List (CRL) for revoked digital certificates

- Updating CRL per SISAC guidelines; the local CRL list on the eCustodian's local systems should be periodically updated to obtain new updated lists from major providers

- Checking certificate status protocol (OCSP); the OCSP may be used to validate certificates in real-time (live connection to OCSP service needed

- Verifying SISAC-approved issuer; root certificates for certificates and tamper-evident digital signatures must be issued by SISAC-approved providers

- Comparing the eNote tamper-evident digital signature in the MERS® eRegistry by comparing the hash value of the eNote in the incoming package with the hash value of the same eNote as registered in the MERS® eRegistry.

The System must be able to check eNote tamper-evident digital signatures on demand or in batch mode.

The System must be capable of handling consequences resulting from invalid tamper-evident digital signatures that:

- Reject document submission and notify document submission party of invalid tamper-evident seal

- Recover uncorrupted from backup devices if the current data is determined to be invalid

- Notify controller or controller's system that the eNote's tamper-evident digital signature has been determined to be invalid

- Record the tamper-evident digital signature validation in an event log for audit purposes.

The System must use a SISAC-approved CA issued organizational digital certificate to perform digital signing when conducting transactions with the MERS® eRegistry.

The System must have the capability to apply a tamper-evident digital signature to a specific eMortgage File during eMortgage Vault-to-eMortgage Vault transfers.

The System must validate the entire certificate chain on eMortgage Vault-to-eMortgage Vault transfers.

Validate eMortgage Vault Tamper-evident Seals

Freddie Mac requires the following types of tamper-evident seal validation:

Internal Validation. Freddie Mac requires eMortgage Vaults to validate the tamper-evident seal for all stored, tamper-sealed documents at least once a year. eCustodians must retain a backup of the validated documents until the next validation occurs. Additionally, the tamper-evident seal must be validated for

any documents affected by the restoration or partial restoration of an eMortgage Vault's underlying databases.

External Validation with MERS. Freddie Mac requires eMortgage Vaults to validate the tamper-evident seal for a sampling of all stored eNotes against the MERS® eRegistry once a year. Freddie Mac and the eMortgage Vault provider will determine the required sampling percentage during contract negotiations.

Safeguard Confidentiality of Data In Transit and Data At Rest

The eCustodian must follow the data privacy protection guidance specified in Section 2.1.1.1.4 of this Handbook.

The eCustodian must classify data based on confidentiality levels specified by the industry and investors, and prevent unauthorized viewing of the most sensitive data and documents through restricted access.

Recommended best practices for protecting confidentiality of data include:

- Establish an encrypted channel (e.g., HTTPS, SFTP, FTPS) for the transmission of the most sensitive data

- Encrypt the most sensitive data before transmission over an insecure channel. Use and support National Institute of Standards and Technology (NIST) and Federal Information Processing Standard (FIPS) specified encryption algorithms – for example, AES (Advanced Encryption Standard) and 3DES – as encryption algorithms.

- Encrypt the most sensitive data before storing it in a persistent store (e.g., encrypting a file or database)

- Generate a message digest for password value and storing it in a persistent store for subsequent comparison for validation

- Separate administrative responsibilities of encryption key management from those of system management.

Audit Significant Events

The System must be able to audit significant security events such as authentication, authorization, and administration activities to allow the review of actions that were performed by users in a secured environment.

The System must track eNote receipt and processing events, including receipts and communication between eMortgage Vaults.

The System must track all communication initiated to and received from MERS® eRegistry transactions.

3.1.2.2.3   Physical Security Requirements

The eCustodian must provide for the physical security of its eMortgage Vault and its contents as described below to comply with Freddie Mac audit requirements.

Data Center

The eCustodian's records management system on which the eNotes reside must be hosted in an industry strength data center. The data center must employ the highest level of physical security in definition and practice addressing access control, surveillance, fire suppression, water detection, etc. for eNotes. Minimum requirements for the data center include:

- Discrete building signage

- Building entrances and exits that are monitored for unauthorized access and activities

- Two forms of authentication for entry of authorized staff to the data center, such as photo ID scan card and either a biometric device or a number keypad

- Additional authorization verification for access to the vault area

- Commercially reasonable physical security for all other electronic documentation

- 24 hour, 7 day a week operation (allowing downtime for upgrades, maintenance, and repairs)

- Redundant primary Systems (power, connectivity) and sub-systems (HVAC, telecommunications) and appropriate back-up capabilities (battery power, generator).

Backup and Business Continuity

The eCustodian must back up eNotes and related documents on a regular basis. The eCustodian must maintain backup and recovery systems of electronic assets through the management of the Authoritative Copy of the eNote and at least two backup copies that are stored in a system that meets or exceeds Freddie Mac's requirements for a primary eNote storage system. Freddie Mac reserves the right to maintain a copy of all electronic Mortgage File documents for all Mortgages that it has purchased.

Security access control to backup tapes and other backup media must be part of the overall custodian system security policies and practices.

The System must restore archived/backup materials within 24 hours of a request. In case of data corruption, archived data must be restored to the point of failure within 10 minutes.

The eCustodian must have at least one geographically remote disaster recovery site in addition to the primary site for its production systems. All technical, security, and physical site requirements for the primary site apply to the disaster recovery site.

The eCustodian must have a documented Business Continuity Plan (BCP) to recover functionality, availability, and data to the point of failure within 48 hours of a declared disaster or other event requiring the activation of a BCP. The eCustodian shall provide a copy of the BCP promptly upon Freddie Mac's request. The eCustodian's BCP shall address at a minimum:

- Staff responsibilities, including on-call availability, etc.

- Location of and transportation to a backup facility with access security, power backup and fire prevention and containment measures at least equal to that of the primary site

- Communication and business continuity activation programs

- Notification to Freddie Mac DCS within 24 hours of determining that a disaster has impacted the eCustodian's site and/or that a change to the physical location of the primary site of the eCustodian and associated documentation and data will continue for more than two business days

- Security for storage, testing, and recovery

- Software versioning, replacement, and retirement/control.

Section 4   Origination Requirements

This section addresses the following Freddie Mac requirements for eMortgage origination:

- Consumer Consent for Electronic Records and Electronic Signatures that will be used in lieu of paper and pen and ink written signatures

- Title insurance

- Electronic signatures

- Borrower access to eNote.

4.1   Obtaining Consumer Consent

Consent must be obtained on an electronic consent form ("Consumer Consent Form") that is electronically signed by the Borrower and all other applicable Consumers whenever any disclosure is provided electronically that would otherwise be required by law to be provided in writing, including but not limited to Notes with disclosures, HUD 1 statements, and Truth-In-Lending disclosure statements. After all applicable Consumers have electronically signed the Consumer Consent Form, the Consumer Consent Form must be securely stored with the other electronic Mortgage File documents.

The process used to permit a Consumer to electronically sign the Consumer Consent Form must ensure the same level of integrity as the Electronic Signature process used to permit a Consumer to electronically sign the eNote. The process must employ one of the approved electronic signature methods outlined in Section 4.3, and the signed document must be tamper-sealed. The Consumer Consent Form must (i) be voluntary and (ii) comply with E-SIGN and other applicable laws and regulations.

4.1.1   Who Must Give their Express Consent

Express consent must be obtained electronically from anyone participating in the residential mortgage loan transaction that is a Consumer as that term is defined in E-SIGN, immediately preceding the electronic closing. At a minimum, all Borrowers, co-borrowers and persons with an interest in the property that must sign the Note, Security Instrument or deed of conveyance must consent electronically by electronically signing an electronic Consumer Consent Form that the originating lender has provided to the System Provider.

4.1.2   Requirements for Consumer Pre-Consent Disclosure

Each participant who is involved in an electronic residential mortgage loan transaction as a Consumer, as that term is defined in E-SIGN, or as attorney-in-fact for a Consumer, must be provided a pre-consent "conspicuous disclosure" by electronic means. Procedures for consumer pre-consent disclosure must comply with E-SIGN and any other applicable laws and regulations. The pre-consent disclosure must meet all applicable legal requirements for conspicuousness.

4.1.3   Use of Power of Attorney for Consent

In a hardship or emergency situation, Freddie Mac will permit the Note, Security Instrument, and other closing documents to be executed by a person acting as attorney-in-fact pursuant to authority granted by a Borrower under a power of attorney. The person acting as attorney-in-fact should have a familial, personal, or fiduciary relationship with the Borrower.

The Seller may permit an attorney-in-fact to consent on behalf of the Consumer granting the power under a power of attorney (POA) provided that: (i) it is permitted by applicable law; and (ii) Seller is

responsible for determining that the terms of the POA are sufficient to establish a delegation of the authority to the attorney-in-fact to consent on behalf of the Consumer.

4.1.4 Manner of Consent for Parties Other than Consumers

Each Person (other than a Consumer) who participates in an electronic residential mortgage loan transaction must give their consent to conduct the transaction electronically, although such consent may be implied. The Seller/Servicer represents and warrants to Freddie Mac that each person that has participated in an electronic residential mortgage loan transaction has consented to conduct the transaction electronically.

4.1.5 Timing of Consent

Even though a Consumer has given his or her consent before on a date preceding the loan closing date, the originating lender must obtain the Consumer's express consent on the loan closing date preceding the eMortgage closing process.

4.2 Title Insurance Requirements for eMortgages

Each Mortgage purchased by Freddie Mac must comply with the title insurance requirements set forth in the *Single-Family Seller/Servicer Guide*, as amended and supplemented by this Handbook.

For Mortgages that have eNotes, the title insurance policy must be written on one of the eligible Title Insurance Loan Policy Forms set forth in the *Single-Family Seller/Servicer Guide*.

In particular, the Title Insurance Loan Policy Form used must not take exception for any matters related to the fact that the promissory Note secured by the Security Instrument is an electronic Note.

In addition, regardless of which eligible loan policy form that Seller uses, the loan policy must provide affirmative coverage insuring that the first lien status of the Security Instrument is not adversely affected in any way due to the fact that the promissory Note secured by the Security Instrument is an electronic Note and that the first lien Security Instrument is valid, effective and enforceable first lien.

4.3 Electronic Signatures (eSignatures)

Consumers must give their express consent to conduct an electronic residential mortgage transaction by executing an electronic consent form provided by the originating lender and certain other Electronic Records using an Electronic Signature that is attached to or logically associated with the Electronic Record and signed or adopted by a Person with the intent to sign the Electronic Record.

The originating lender must assure that necessary parties to the electronic residential mortgage loan transaction adopt secure and enforceable Electronic Signatures. Systems that create or accommodate Electronic Signatures must be designed to comply with the requirements set forth in this section.

The Procedure used to create an Electronic Signature must address all of the following:

- The signer's authority to sign the Electronic Record

- The signer's intent to sign the Electronic Record

- Attaching the Electronic Signature to or associating the Electronic Signature with the Electronic Record to be signed

- The symbol or Process being used as an Electronic Signature

- The method or process for attributing the signature to the signer

- Ensuring that each Electronic Record has been individually reviewed, electronically signed, and has had the Electronic Signatures attached to or associated with the Electronic Record before moving on to the next Electronic Record.

4.3.1 Authority to Sign

When the originating lender obtains Electronic Signatures it must comply with all substantive legal requirements with respect to establishing the authority of the Person signing to sign: (i) on their own behalf; (ii) on behalf of others (such as an attorney-in-fact); or (iii) in a representative capacity (such as a corporate officer or trustee), as applicable under the circumstances. If a Person is signing is in a representative capacity, the Electronic Signature must be structured to reflect the name of the Person actually signing, the represented Person, and the signer's title or capacity. If permitted under applicable law, documents establishing authority to sign on behalf of others may be:

- In the form of an Electronic Record, and

- Signed using an Electronic Signature.

In addition to complying with any other legal or Freddie Mac requirements, establishing the authority to sign must include the following:

- For individuals signing on their own behalf:

  - A Procedure for establishing the signer's identity, and
  - A Procedure for establishing the signer's capacity to contract under applicable law, including a commercially reasonable effort to determine that the signer is not a minor or legally incompetent.

- For individuals signing on behalf of another or in a representative capacity:

  - A Procedure for establishing the signer's identity,
  - A Procedure for establishing the signer's capacity to contract, and
  - A Procedure for establishing the appropriate delegation of authority by the represented Person and the represented Person's capacity to delegate. In the case of a power of attorney, the power of attorney should clearly establish, as appropriate, whether the attorney in fact is empowered to sign on behalf of the represented Person, or whether the attorney in fact is empowered to attach the represented Person's Electronic Signature to or logically associate the represented Person's Electronic Signature with the Electronic Record on behalf of the represented Person.

4.3.2 Evidence of the Intent to Sign

The Process for obtaining an Electronic Signature must be designed to demonstrate that the signer intended to sign the document. Establishing intent includes a number of elements, including:

- Establishing the intent to use an Electronic Signature

- Identifying the reason the signer is signing the Electronic Record

- Assuring that the signer knows which Electronic Record is being signed.

4.3.2.1 Intent to Use an Electronic Signature

In an electronic environment, care should be taken to provide reasonable certainty that a signer is aware of the signature process and its legal consequences. This may be particularly significant with Consumer transactions during the initial stages of the conversion to Electronic Records, since many Procedures may not be as familiar to the Consumer as the traditional Procedures associated with paper documents and written signatures. Therefore, the signature process must be designed to provide:

- Notice to the signer that an Electronic Signature is about to be (or has just been) attached to or logically associated with the Electronic Record

- Evidence of the signer's intent to have the signer's Electronic Signature attached to or logically associated with the Electronic Record.

Because the signature process may involve introductory or explanatory material, or information dialog boxes and other notices that may change over time, the Seller/Servicer and the System Provider must maintain these materials for archival purposes and later reference.

4.3.2.2 Establishing the Reason for the Electronic Signature

The System or Process must be designed to provide notice to the signer of the purpose the Electronic Signature will serve. Purposes an Electronic Signature may serve include, but are not limited to, evidencing:

- The signer's consent to participate in an electronic transaction

- The signer's agreement to the terms of the Electronic Record

- The signer's receipt of the Electronic Record

- That the signer had a chance to review the Electronic Record

- That the signer is the Person sending the Electronic Record.

There are a wide variety of ways in which a signer may be made aware of the purpose a signature will serve. In many cases, the purpose is apparent from the surrounding circumstances. In other cases, current practice includes a statement in the written documents, above the signature line or elsewhere, giving notice of the legal effect the signature will have.

4.3.3 Identifying the Electronic Record to Be Signed

The System or Process must be designed so that each Electronic Record, that is required to be signed by the Consumer by law or by another party to the transaction, is separately presented to the signer for signature. Attaching the Electronic Signature to or logically associating the Electronic Signature with each Electronic Record shall require a separate affirmative act by the signer.

The definition of signature under both E-SIGN and UETA requires an intention to sign. Freddie Mac will not purchase an eMortgage in which the Consumer's electronic signature has been automatically attached to or logically associated with a whole series of Electronic Records.

4.3.4 Signature Attached to or Logically Associated with Electronic Record

The System or Process must be designed so that an Electronic Signature is attached to or logically associated with the Electronic Record intended to be signed to the extent necessary to comply with E-SIGN and/or UETA enacted by the applicable jurisdiction or other applicable state law. In addition, when an authorized party to an electronic transaction is reviewing an electronically signed Electronic Record, the party must be able to promptly and reasonably determine: (i) the signer's Electronic Signature has been attached to or logically associated with the Electronic Record, (ii) the type of Electronic Signature symbol or Process used, and (iii) the identity of the signer.

Where a signature Process has been used instead of a symbol (as, for example, with a password and PIN used to access a Record), the Electronic Records within the System should contain, incorporate, or be clearly associated with, the identity of the signer and a description of the signature Process that was employed.

4.3.5 Symbol or Process Used As an Electronic Signature

Freddie Mac requires Seller/Servicers to represent and warrant that the type of Electronic Signature used by the Borrower to sign the eNote, and any other Electronic Record associated with the transaction, is legally enforceable under applicable law and is not effected by means of the following:

- Audio or video recording

- Object signatures such as biometrics or specialized signing pads and/or applets.

Both E-SIGN and UETA permit the use of symbols and identification processes as Electronic Signatures. The type of signature being used, in any particular instance, may be dictated by the technology choices made by the software vendor, or the circumstances of the transaction, or the preferences of the participating parties. In addition, with respect to documents to be filed of record with government authorities, the regulations established by the authority may dictate the choice of signature methodology. Refer to Section 5 for types of signatures acceptable to Freddie Mac and for what documents and under what circumstances, etc.

4.3.6 Attribution

"Attribution" is the process of associating the identity of a signer with the signature. In order to be enforceable, the Electronic Signature must be attributable to the Person who has purportedly signed the Electronic Record. The Person obtaining a signature must establish a high level of confidence, appropriate to the gravity of the transaction, that the signer will not be able to effectively deny signing the Electronic Record at a later date.

In general, the Person attempting to enforce an Electronic Record bears the risk that the authenticity of a signature will be challenged. Attribution may be established by notarization, witnesses to the signing, and the circumstances surrounding the transaction. In many cases, the circumstances surrounding the transaction are such that a later claim that an Electronic Record was not reviewed and signed will lack credibility. The level of effort put into establishing attribution can appropriately be varied according to the circumstances and gravity of the transaction.

In addition, Freddie Mac requires the following stipulations to be implemented by all systems processing eSignature requests:

- The signing process must, at a minimum, implement the following:
    - Individually authenticate each signer
    - Notify the signer when he or she initiates an eSignature request.
    - Clearly explain the implications that result from signing the document
    - Prompt the signer to confirm his or her eSignature request.
- Each document must be individually reviewed, signed, and modified by affixing all required signatures prior to moving on to the next document.
- When reviewing the signed Electronic Record, it must be possible to determine the existence of the associated eSignature, the type of eSignature, the process employed, and the identity of the signer.
- Signature must include signer's name, date, and timestamp.

4.3.7 eNote Signatures

For eNote signatures, Freddie Mac requires the following in addition to the eSignature requirements stated in Section 4.3:

- All signing parties must be physically present in the electronic closing location for the electronic Signing process.

- Signers must validate their credentials in the closing System by entering their user IDs and passwords at the outset of the eSignature process to indicate their desire to electronically sign the documents and again before they sign the documents.

- Seller represents and warrants that the map section of the eNote MISMO Category 1 SMART Document that contains the relationships and links between the data section and the view section, including information on the related conversions, if any, is accurate.

4.3.8 Other Electronic Documents

Freddie Mac requires the Consumer Consent Form and all electronic legal documents to follow the same eSignature requirements as eNotes, while non-legal documents must follow the eSignature requirements in Section 5.3.

4.4 Borrower Access to eNote

By law, the Borrower must have access to the eNote. This requirement can be met by providing a paper copy or, if the Consumer agrees, providing an electronic copy. For more information, refer to Section 7.1.2.

Section 5 Electronic Records Maintenance and Administration of Records for Freddie Mac

This section sets forth requirements for the electronic maintenance and administration of mortgage documents for Freddie Mac, where these Mortgages are supported, in part or in full, by electronic documents. The following guidelines apply to eMortgage loans closed and delivered to Freddie Mac and serviced for Freddie Mac.

5.1 Maintaining Electronic Documents with Electronic Signatures

For all eMortgage loan documents for which an Electronic Signature is obtained, Freddie Mac requires that these documents be maintained in a manner that preserves the integrity of the Electronic Record and Electronic Signature. These documents must follow the guidelines indicated in Section 5.3.

For electronic mortgage loan documents without electronic signatures, the *Single-Family Seller/Servicer Guide* and its policies apply.

5.2 Additional Requirements for Specific Electronic Mortgage File Documents

The following electronic Mortgage loan documents must be created in a manner that provides assurance that (i) the document is digitally signed and secured by tamper-evident seals, and (ii) the view and data portions of the document are inextricably linked. At present, MISMO Category 1 SMART Documents are the only document formats approved by Freddie Mac that provide this level of assurance.

- Promissory note (authoritative copy), addenda, and the primary back-up copy

- Security Instrument and riders, if applicable

- Modifying instruments, if applicable

- Assumption instruments, if applicable

- HUD 1

- Title Insurance Policy – Short Form

The following electronic Mortgage File documents must include a view, digital signature, data, and tamper-evident seal. These components must follow MISMO data standards. For these documents, the view and data portions do not need to be inextricably linked.

- Appraisal

- Uniform Residential Loan Application (URLA)

- Title Insurance Policy – Long Form

- Title Insurance Binder

- Credit documents, including credit reports and Loan Prospector Feedback/Certificate

- Completed Uniform Underwriting Transmittal Summary Form 1077

5.3 Tamper-Evident Digital Signatures (Tamper-Evident Seals)

Freddie Mac requires that all tamper-evident digital signatures (tamper-evident seals) on loan documents comply with the following rules:

- Freddie Mac will only accept tamper-evident seals utilizing industry standard, recognized, W3C compliant, and MISMO-approved digital signature algorithms with X.509 certificates issued by a SISAC-accredited Issuing Authority (for eNotes, exceptions to the SISAC-accredited Issuing Authority requirement may be negotiated on a case-by-case basis).

- **For eNotes:** Tamper-evident seals must comply with specifications for tamper-evident signatures with authentication as defined in the MISMO *SMART Document Implementation Guide*.

- **Other Documents that require tamper seals and eMortgage Files:** Because the authenticity of the Tamper Seal cannot be validated with MERS, authentication is required and must comply with specifications in the MISMO *SMART Document Implementation Guide*.

  Freddie Mac requires eNote tamper-evident seals to be stored in the MERS® eRegistry. This digital signature will be the primary means Freddie Mac uses to authenticate an eNote's tamper-evident seal. Because an equivalent MERS functionality does not exist for other tamper-sealed loan documents, Freddie Mac will rely on certificates issued by a SISAC-accredited Issuing Authority as the primary means to authenticate the tamper-evident seal.

5.3.1 Additional Display and Formatting Rules

Electronic records that are used to provide information and obtain signatures in lieu of paper documents must include all of the substantive terms and conditions contained in the written documents. In addition, all applicable formatting rules must be observed.

Any legal requirements concerning the content, display, or format of information if it were in writing must be observed both with respect to electronic display of the Electronic Record and printing of the Electronic Record. Neither UETA nor E-SIGN eliminates any existing display or formatting requirements. As an illustration only, some of the formatting and display requirements that must be observed are:

- Use of specific fonts, specific type sizes, minimum type sizes, and boldface or italic styling

- Physical location of particular information, such as disclosures that are required to appear just above the place for signature

- Requirements that information be boxed, or segregated, or separately displayed.

If specific or separate legal requirements concerning content or format of the information have been established for Electronic Records by the controlling legislative or regulatory authority, those requirements must be observed.

5.3.2 File Formats

File formats for Electronic Records must be capable of accurately reproducing the fonts, styling, margins, and other physical features of the Electronic Record both when being electronically displayed and in print. Pagination, line spacing, and paragraph formatting and numbering must all be maintained unless approved electronic form versions are used. On-screen viewing of the Electronic Records must be possible either through means of proprietary programs developed by System Providers or through open data formatting standards, provided the software is offered through widely available methods such as an Internet browser or software that is free to the public (for example, Adobe Acrobat Reader) and not subject to licensing conditions that would limit Freddie Mac from using these documents for any reason whatsoever.

5.3.2.1 No Limitations on Usage

For all documents, regardless of format, the Seller/Servicer represents and warrants that the documents must be maintainable, reproducible, and have no licensing conditions that would limit Freddie Mac from using these documents for any reason whatsoever.

5.3.2.2 Self-Contained

Electronically signed Electronic Records must contain all of the information necessary to reproduce the entire Electronic Record and all associated signatures in a form that permits the Person viewing or printing the file to verify:

- The contents of the Electronic Record

- The method used to sign the Electronic Record, if applicable

- The Person or Persons signing the Electronic Record and the capacity in which they signed.

5.3.3 Document Resolution

For delivered images, should Freddie Mac deem that document image quality is below standards, Freddie Mac reserves the right to require paper equivalents. If a pattern of poor quality is identified, Freddie Mac reserves the right to dictate minimum standards to which the Seller/Servicer must adhere. If a document is deemed to be unreadable, Seller/Servicer must produce the original or the document is considered missing.

5.3.4 Document Storage

Unless otherwise directed, the Servicer and other parties must adhere to the file retention policies as specified in the *Single-Family Seller/Servicer Guide.*

5.4 Hybrid Transactions and Documentation

5.4.1 Hybrid Transactions

Freddie Mac defines a hybrid loan transaction as any such Mortgage loan transaction where the loan documents (see Section 5.2) are a combination of paper and electronic records. Likewise, a hybrid loan file is any loan file where the loan documents are a combination of paper and electronic records.

5.4.2 Hybrid Loan Documentation Standards

Freddie Mac will allow the Seller/Servicer and eCustodian to maintain their requisite loan file documentation in a combination of paper and electronic formats, as long as appropriate cross-references are maintained. However, where business processes dictate a specific format, parties will be expected to deliver the required document format in accordance with Freddie Mac requirements.

5.4.3 Hybrid Records Management

If the origination files and servicing files or any other documents for an electronic Mortgage are in a hybrid format (e.g., some are paper and some are electronic), then the paper portion of the files must be retained following requirements of the *Single-Family Seller/Servicer Guide*, and the electronic portion of the files must follow the guidance set forth in this section. The electronic files and paper files pertaining to a specific Mortgage must be cross-referenced based on requirements set forth in Section 6.1.1.1 of this Handbook.

5.5 Electronic Records Management of Non-Custodial Documents

This section describes electronic records management requirements for all Mortgage Files excluding documents that are required by Freddie Mac to be held by approved document custodians. Servicers and any contractually obligated parties who hold Mortgage Files on Freddie Mac's behalf can use either an in-house-built or third-party-vendor electronic records storage and management system for Mortgage File retention.

5.5.1 Contents

Servicers must maintain all documents, as defined in the *Single-Family Seller/Servicer Guide,* for each Mortgage serviced for Freddie Mac.

5.5.2 Retention of Electronic Format

All documents in the electronic file must either retain their original electronic file format, or if created in paper form and permitted by the *Single-Family Seller/Servicer Guide*, be imaged based on Freddie Mac approved imaging standards as defined in Section 5 of this Handbook.

Servicers are required to conduct periodical system and information security reviews based on, but not limited to E-SIGN, UETA, and SPeRS provisions, standards, and procedures affecting Electronic Record retention.

5.5.3 Electronic Document Integrity

Servicers, at a minimum, must establish a request and approval process to grant role-based access rights to electronic Mortgage File records in their systems.

The records management system must have user authentication and role-based access control capability, and must track and log user identity, action performed (view, modify, delete, etc.) on records, and time of the event.

The records management system must detect and block unauthorized access and alteration of eMortgage Files, and to alert Servicers if unauthorized attempts exceed pre-configured thresholds.

Freddie Mac reserves the right to impose additional security measures, for example, the application of tamper-evident seals to electronic documents, as deemed necessary in the future.

5.5.4 Electronic Data Privacy Protection

Servicers must follow data privacy protection standards as outlined in Section 2.1.1.1.4 of this Handbook. Servicers are also required to follow federal and state privacy protection laws and regulations, as well as regulatory agencies' (i.e., Federal Reserve Bank, Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency, and Office of Thrift Supervision, as applicable) continued guidance and advisories on privacy protection of consumer data, and the best practices on the safety and soundness of their systems.

5.5.5 Maintenance of Mortgage Files

In addition to providing controls and identification features as specified in the *Single-Family Seller/Servicer Guide*, Servicers must:

- Provide viewing, retrieving, and printing capabilities for these documents in accordance with Purchase Document requirements regardless of the electronic formats in which Mortgage Files and records are kept

- Provide online access and system-to-system interfaces to Mortgage Files as required by Freddie Mac

- Maintain an electronic audit trail for all electronic transactions occurred to the Mortgage Files, and keep such audit trail as part of the Mortgage Files for the life of the loan plus seven years

- Perform regular backups of all Mortgage File records, and be able to replace Electronic Records that are damaged, corrupted, or lost. All files must be archived for the life of the loan plus seven years.

- Maintain a geographically remote Disaster Recovery/Business Continuity Plan (DR/BCP) site that is not susceptible to the same disasters as the primary site for all Electronic Records. DR/BCP sites must follow the guidance set forth in Section 3.1.2.2.3.

- Document DR/BCP to provide recovery services of functionality, availability, and data to the point of failure within 48 hours of a declared disaster.

5.5.6 Damage or Loss

Servicers must bear the entire cost of restoring electronic Mortgage Files and related documents and records damaged or lost for any reason.

5.5.7 Ownership of Mortgage File and Related Records

All documents in the Mortgage File and all other documents and records of whatever kind or description, whether prepared or originated, held, or maintained by the Seller or others, including all current and historical computerized data files, which are reasonably required to originate and service Mortgages for Freddie Mac will be, and will remain at all times, the property of Freddie Mac. All records whether in paper or electronic format, in the possession of the Servicers are retained by the Servicers in a custodial capacity only.

5.5.8 Inspection of Mortgage Files by Freddie Mac

Both during and after termination of Servicing, the Servicer must permit Freddie Mac at any time during normal business hours to inspect the electronic Mortgage Files and all of the Servicers' records pertaining to mortgage operations related to Freddie Mac.

5.5.9 Transfer of File Custody and Security of File Information

Freddie Mac may at any time require the Servicer to deliver the following electronic documents to Freddie Mac, an eCustodian approved by Freddie Mac, or a transferee designated by Freddie Mac:

- A copy of any eNote, Security Instrument, assignment, and modifying instrument in the Servicer's custody, electronic or paper

- A copy of any Mortgage File, document within a Mortgage File, or other related documents and records in the Servicer's or their eCustodian's custody, electronic or paper, whether maintained as originals or copies.

Servicers may, without Freddie Mac's prior approval, entrust custody of all or part of the electronic Mortgage File to the eCustodian holding eNotes and assignments as indicated in the *Single-Family Seller/Servicer Guide.* When requested, Servicers must be able to identify to Freddie Mac those file items held by the eCustodian and document to Freddie Mac the eCustodian's acknowledgment that such file items:

- Are Freddie Mac's property

- Will be maintained by the eCustodian according to standards at least equal to those set forth in this section

- Will be maintained in such a way as to ensure the security and confidentiality of the information; protect against anticipated threats or hazards to the security or integrity of the information; and protect against unauthorized access to or use of such information

- Will be delivered to Freddie Mac upon request.

In addition, the Servicer agrees to indemnify Freddie Mac and hold Freddie Mac harmless for any loss, damage, or expense (including court costs and reasonable attorney fees) that Freddie Mac may incur as a result of the eCustodian's holding all or part of the electronic Mortgage File.

The Servicer must maintain an electronic copy of any original document that has been entrusted to the eCustodian for safekeeping. If all or part of the Mortgage File is held by the Servicer's eCustodian, the Servicer agrees to recover from the eCustodian (at the Servicer's expense) and provide to Freddie Mac (at the place and within the timeframe specified by Freddie Mac) any eCustodian-held original document requested by Freddie Mac for the post-funding quality control processes described in the *Single-Family Seller/Servicer Guide.*

Section 6 Delivery

This section addresses Freddie Mac's requirements for certifying, holding, and registering eNotes.

6.1 eCustodian Role and Responsibilities

The role of the eCustodian is to manage the receipt, tracking, and long-term safekeeping of the documents by:

- Verifying receipt of all custodial documents
- Holding documents in trust for Freddie Mac
- Certifying the eNote.

6.1.1 Required Custodial Documents

For Freddie Mac Selling System transactions, the Seller/Servicer must deliver the custodial documents indicated in the table below to the eCustodian before the Final Delivery Date of the eNote. Documents such as the signature affidavit, assignments, and lost note affidavit that are not listed below, but are required for paper loan transactions, are not likely to be applicable due to the nature of electronic documents and capabilities of MERS.

Document	Format
eNote, including any addenda	MISMO Category 1 SMART Document eNote
Modifying instrument such as a modification, conversion agreement, or assumption of indebtedness	MISMO Category 1 SMART Document eNote
Power of Attorney (POA)	The POA is available as a supporting document when there is a question regarding whether the signatory has legal authority to sign as attorney-in-fact for the person granting authority.
	If the POA is electronic, it must comply with state and local laws and can be stored in the eMortgage Vault or document management system. If the Power of Attorney is paper, it is maintained in the paper file.
	In all cases, the POA must be recorded with the Security Instrument. A copy of the recorded POA must be held by the eCustodian and a copy must be held in the Servicer's Mortgage File.

6.1.1.1 Holding the eNote, eNote Modifications, and Supplemental Documents

The Authoritative Copy of the eNote and any eMortgage Modifications to the Note and/or Security Instrument must be stored and remain at all times in an eMortgage Vault that complies with the specifications stated in Section 3.1.2.2 of this Handbook.

Electronic documents other than the Authoritative Copy of the eNote and any eMortgage Modifications to the eNote and/or Security Instrument may also be stored in the eMortgage Vault or in the Seller/Servicer's document management system.

The Seller/Servicer must provide the eCustodian with all custodial documents. These documents may be a combination of paper and electronic documents (e.g., paper POA and eNote) that result in multiple storage locations. The eCustodian is responsible for maintaining a reference list that identifies the location of electronic documents in the eMortgage Vault and paper documents in a traditional paper storage Vault. The standard identifier in the electronic Note Tracking System is a cross-reference of the MIN, Freddie Mac loan number, and internal reference such as the Seller/Servicer loan number.

When the custodial documents are a combination of paper and electronic documents (e.g., paper POA and eNote) that result in multiple storage locations, the eCustodian must maintain a list that identifies the location of electronic documents in the eMortgage Vault and paper documents in the Vault. The Freddie Mac loan number is the standard identifier for documents in the eMortgage Vault and paper vault.

6.1.2 Certifying the eNote

The eCustodian is required to certify the eNote before the contract Final Delivery Date. The eCustodian must verify the criteria indicated below before updating the certification event in the Freddie Mac Selling System and indicating that the certification process is complete.

Required Criteria	eCustodian Verifies:
eNote in Selling System	Selling System reflects the Note is electronic
	Selling System reflects the correct MIN for eNote.
eNote data to MERS® eRegistry	In the MERS® eRegistry, the tamper-evident digital signature matches eCustodian's eNote.
	If verification cannot be completed, eCustodian must contact the Seller and resolve discrepancies before certification can occur.
	An addendum to an eNote such as the Balloon Note Addendum is part of the eNote and does not require separate certification.
FHLMC loan number	Freddie Mac loan number on the Custodian tracking system matches data in the Freddie Mac Selling System.
eMortgage Modification MISMO Category 1 SMART Document	The Modification tamper-evident digital signature on the MERS® eRegistry.
	eCustodian must contact the Seller or Servicer to resolve discrepancies before certification can occur.
	Note: Assumption Agreements and riders to Security Instruments are included in the category of eMortgage Modification.
MISMO SMART Document Data and View equivalent	The Borrower has signed a MISMO Category 1 SMART Document in which the data in the View section corresponds to the data in Data section of the document.
	eCustodian must contact the Seller or Servicer to resolve discrepancies before certification can occur.

6.2 Using the MERS® eRegistry

The Seller/Servicer will be responsible for the accurate and timely preparation and recordation of Security Instruments and other documents relating to MERS-registered eMortgages and must take all reasonable steps to ensure that information on MERS is kept up-to-date and accurate at all times. The Seller/Servicer will also be solely responsible for any failure to comply with the provisions of the MERS Member Agreement, Rules, and procedures and for any liability that it or Freddie Mac incurs as a result of the registration of Mortgages with MERS or any specific MERS transaction. A transfer of control identifying Freddie Mac as the Controller of the eMortgage within the MERS® eRegistry does not relieve the

Mortgage Seller/Servicer from its responsibility for complying with all applicable provisions of the Freddie Mac Mortgage Purchase Documents, unless Freddie Mac specifies otherwise in writing.

6.2.1 Initial Registration of the Electronic Note in the MERS® eRegistry

The originating lender must perform the initial registration of an eNote with the MERS® eRegistry as soon as possible within 24 hours of closing for the loan to be purchased by Freddie Mac. Registration must occur before eNote certification and purchase by Freddie Mac. MERS serves as a Note holder registry that identifies the current Controller, Location of the Authoritative Copy of the eNote, and the Delegatee, if any, who is authorized by the Controller to make discrete updates to the record on behalf of the Controller.

The registered eNote shall be a MISMO Category 1 SMART Document, stored in an eMortgage Vault that meets Freddie Mac specifications described in Section 3 of this Handbook, and securely stored by an eCustodian that meets the criteria specified in Section 3 of this Handbook.

6.2.2 Executing a Transfer to Freddie Mac in the MERS® eRegistry

Before Freddie Mac will accept a transfer request, the following conditions must be met:

- All purchase edits are cleared for the loan in the Selling System

- A copy of the eNote has been sent to Freddie Mac

- The eCustodian has certified a copy of the Authoritative Copy.

Additionally, Freddie Mac requires that all eNote tamper-evident seals be validated against the MERS® eRegistry during eNote transfers. If a problem is discovered during the validation process, the Seller/Servicer is responsible for resolving the problem promptly.

Once the above conditions have been met, Freddie Mac's Selling System will accept and acknowledge the transfer request. Once Freddie Mac accepts the transfer request from the Seller/Servicer and becomes owner of a MERS-registered eNote, the MERS® eRegistry is updated to reflect the change of status identifying Freddie Mac as the Controller. MERS notifies Freddie Mac and the Seller/Servicer to confirm the change of control.

6.2.3 Recording Subsequent Actions in the MERS® eRegistry

The Seller/Servicer is responsible for recording the following subsequent actions in the MERS® eRegistry:

- Payoff

- Transfer of Location

- Foreclosure

- Modification

The Controller or its Delegatee must initiate a Change Status Request to the MERS® eRegistry to indicate that the record status has changed from active to inactive, such as after a payoff or charge off (refer to MERS® eRegistry documentation for additional guidance).

If a Servicer's MERS membership is terminated and the Servicer can no longer perform this function, Freddie Mac will transfer servicing to a MERS member.

6.2.4 Loan Rate and Term Modifications

Servicers must contact Freddie Mac's Loss Mitigation department before offering a Borrower a loan Modification.

6.2.4.1 eNote and eMortgage Modifications

All eNote modifications must be executed in accordance with Freddie Mac requirements and use language required by Freddie Mac. Contact Freddie Mac directly for details of this language.

The process to correct or change the data on the Authoritative Copy of the eNote is dependent on whether the eNote has been registered in the MERS® eRegistry.

For correcting or changing data on an eNote that has been registered, the Seller/Servicer follows the MERS® eRegistry Modification process. The data change must be captured in a MISMO-approved eMortgage Modification document (refer to Section 5.2 for document format guidance). Until a MISMO form is published, contact Freddie Mac for instructions.

Freddie Mac requires an electronic modification of an eNote and will not accept a paper Modification for an eNote unless:

- The modification agreement is recorded at the county recorder's office according to *Single-Family Seller/Servicer Guide* requirements

- The county in which the property securing the Mortgage is located is not able to record an electronic modification agreement.

In cases where the Borrower selects a paper Modification as allowed by law or the Servicer cannot support an electronic Modification, the Seller should contact Freddie Mac.

6.2.4.1.1 Conditions for Executing a Separate Modification of the Security Instrument

Modifications to a Freddie-Mac owned eNote should, if possible, be executed electronically. However, certain modification agreements make reference to the Security Instrument and must be recorded in the county land records (refer to the *Single-Family Seller/Servicer Guide* for additional information). When the Note and the Security Instrument both must be modified, and the particular county is unable to record an electronic modification agreement, the eNote must be modified using an electronic modification agreement, and the paper Security Instrument must be modified using a paper modification agreement.

Figure 1 illustrates the process that occurs following an electronic loan modification.
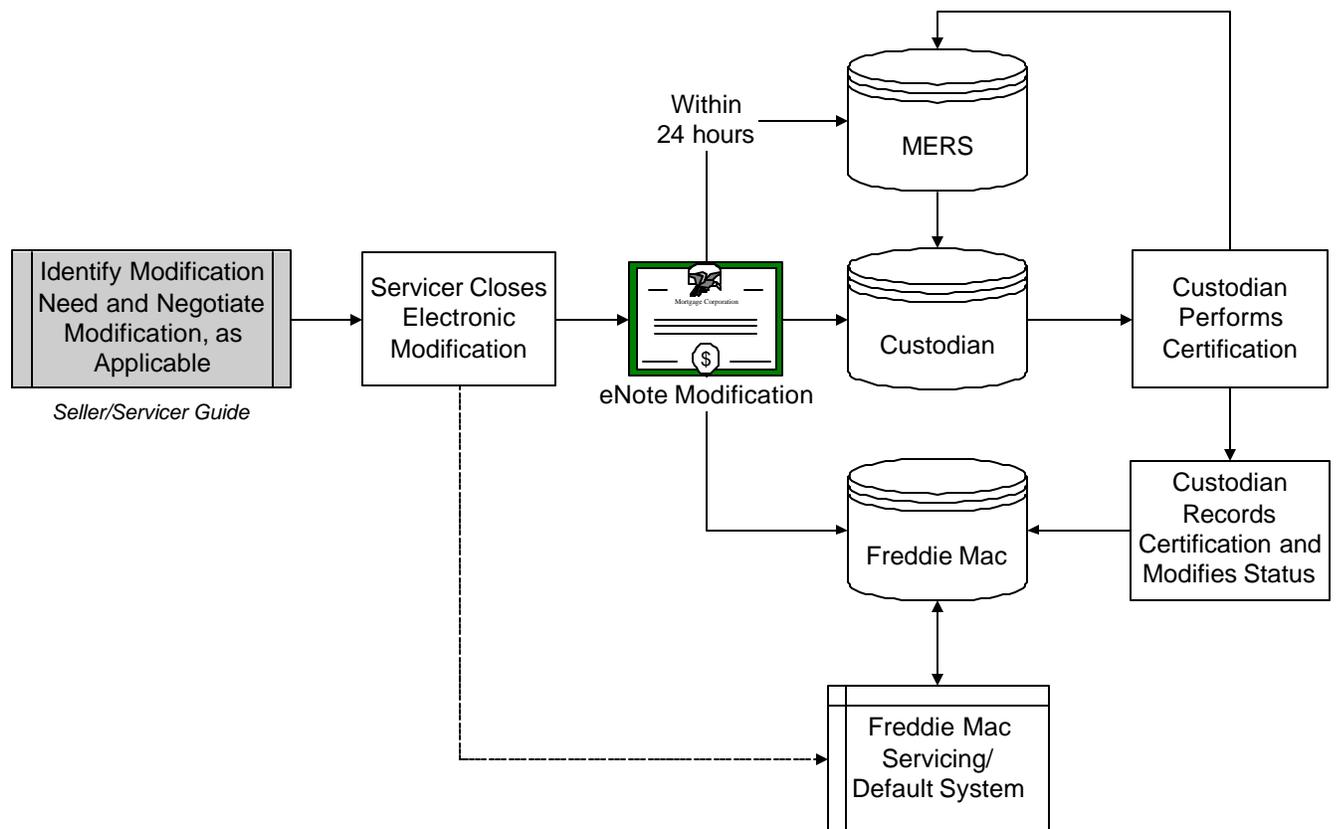
Figure 1: Electronic Loan Modification Process

6.2.4.1.2   Correcting Data on an eNote Not Registered in the MERS® eRegistry

Seller/Servicers and eCustodians must follow these steps to correct data on an eNote that has not yet been registered on the MERS® eRegistry.

Role	Responsibility
Seller/Servicer	1) Create a corrected eNote SMART Document that the Borrower will sign electronically
	2) Register the corrected eNote on the MERS® eRegistry within 24 hours of the closing date
	3) Notify and provide the eCustodian with the eNote within 24 hours of the registration date
Custodian	4) Certify the eNote and update the Freddie Mac Selling System by the Final Delivery Date (see Section 6.1.2 for certification guidance)
	5) Update the Note Tracking System within three business days of the Final Delivery Date.

6.2.4.2   Registering and Certifying an eMortgage Modification

Seller/Servicers and eCustodians must follow these steps to register and certify an eMortgage Modification after the eNote has been registered in the MERS® eRegistry and certified by the Custodian.

Role	Responsibility
Seller/Servicer	1) Close an eNote Modification agreement in a MISMO Category 1 SMART Document. Contact Freddie Mac if a Modification is needed before MISMO has released an approved Category 1 SMART Document Modification.
	2) Follow the Modification process that requires registration of the eMortgage Modification with the MERS® eRegistry within 24 hours of the closing date
	3) Provide the eMortgage Modification to the eCustodian and Freddie Mac within 24 hours of the registration date
Custodian	4) Certify the eMortgage Modification and update the Freddie Mac Selling System within one business day after the registration date
	5) Update their eNote Tracking System within three business days of the registration date.

6.2.4.3 Certifying eNotes and eMortgages Registered Before Sale to Freddie Mac

Sellers/Servicers and Custodians must follow these steps to certify eNotes and eMortgages that were registered on the MERS® eRegistry before the sale to Freddie Mac (i.e., seasoned loans).

Role	Responsibility
Seller/Servicer	1) Notify and provide the eCustodian with the eNote and eMortgage Modification by the Final Delivery Date
Custodian	2) Certify the eNote and eMortgage Modification and update the Freddie Mac Selling System by the Final Delivery Date (see Section 6.1.2 for certification guidance)
	3) Update their Note Tracking System within three business days of the Final Delivery Date.

Section 7 Servicing Requirements

This section provides guidance on Freddie Mac's requirements for Transfers of Servicing, access to Custodial documents, and loss mitigation activities as they relate to eMortgages.

7.1 Transfers of Servicing

Transfer of Servicing of loans with eNotes or electronic Security Instruments, whether voluntary or involuntary, must be to a Servicer specifically and expressly approved by Freddie Mac to service eMortgages. Before executing any Transfer of Servicing, the Transferor Servicer must notify:

- The Transferee Servicer of any eMortgages contained in the Servicing portfolio that have any special servicing requirements unique to the eMortgages

- The eCustodian repository holding the eNotes

- MERS of any eMortgages where MERS is named as the nominee for the Seller/Servicer or named as assignee in the land records.

The Transferor Servicer and Transferee Servicer must take any and all actions necessary to transfer the eMortgage in accordance with Freddie Mac's requirements, which include but are not limited to, compliance with all laws, any system rules, registry, and repository requirements. If Freddie Mac approves the Transfer of Servicing, Freddie Mac will change the Delegatee on the MERS® eRegistry to the Transferee Servicer to allow the Transferee Servicer to record appropriate actions.

The eCustodian duties and obligations for eNotes can only be transferred to a new eCustodian that is specifically and expressly approved by Freddie Mac to hold eNotes. The Transferee eCustodian must have the expertise and systems and software to store and maintain the eNote.

7.1.1 Transfer Types and Associated Responsibilities

The following requirements apply to the transfer of electronic Documents and documents in hybrid files. Refer to the *Single-Family Seller/Servicer Guide* for definitions of the transfer types and a complete description of requirements for executing transfers.

Transfer Type	Role	File Type	Responsibilities
Concurrent	Transferor eCustodian	Electronic, Hybrid	▪ Transfer all eNotes and electronic custodial documents (vault-to-vault) to the Transferee eCustodian before Funding Date ▪ Maintain an authenticated copy of all eNotes and eMortgage Modifications for 180 days after Funding Date ▪ Work with the Transferee eCustodian to cure all unresolved document deficiencies before recertification of the eNotes by the Transferee eCustodian
	Transferee Custodian	Electronic, Hybrid	▪ Certify the eNote (see Section 6.1.2 for certification guidance) and any electronic Modification to the note or Security Instrument ▪ Update the Freddie Mac Selling System to indicate that certification occurred by the Final Delivery Date

Transfer Type	Role	File Type	Responsibilities
	Transferee Custodian	Hybrid only	▪ Perform verifications specified in the *Single-Family Seller/Servicer Guide* for each paper Note and assignment by the Final Delivery Date ▪ Update the Freddie Mac Selling System to indicate that recertification is complete no later than 15 days after the Effective Date of Transfer ▪ Update MERS with Delegatee and Transferee eCustodian as soon as the transfer is known.
	Freddie Mac	Electronic, Hybrid	▪ If Transferee eCustodian is not known, update the MERS® eRegistry with a Transfer of Location no later than three days after the Final Delivery Date.
Subsequent, Transfer of Custody (Seller/Servicer, eCustodian, or Freddie Mac initiates the termination of the Custodial Agreement)	Transferor eCustodian	Electronic, Hybrid	▪ Transfer all eNotes and electronic custodial documents (vault-to-vault) to the Transferee eCustodian no later than 30 days after the Effective Date of Transfer of Servicing ▪ Maintain an Authenticated Copy of all eNotes and eMortgage Modifications for 180 days after the Effective Date of Transfer of Servicing ▪ Work with the Transferee eCustodian to cure all unresolved document deficiencies before recertification of the eNotes by the Transferee eCustodian.
	Transferee eCustodian	Electronic, Hybrid	▪ Recertify the eNote (see Section 6.1.2 for certification guidance) and any electronic Modification to the Note or Security Instrument no later than 15 days after the Effective Date of Transfer of Servicing ▪ Update the Freddie Mac Selling System to indicate that recertification is complete no later than 15 days after the Effective Date of Transfer of Servicing.
	Transferee eCustodian	Hybrid only	▪ Perform verifications specified in the *Single-Family Seller/Servicer Guide* for each paper Note and assignment no later than 180 days after the Effective Date of Transfer of Servicing ▪ Update the Freddie Mac Selling System to indicate that recertification is complete no later than 15 days after the Effective Date of Transfer.
	Freddie Mac	Electronic, Hybrid	▪ Update the MERS® eRegistry with a Transfer of Location no later than three days after the recertification is reported in the Freddie Mac Selling System.

7.1.2 Obtaining Access to Custodial Documents

The Seller/Servicer or other parties (i.e., Freddie Mac) will, from time to time, need a copy of the eNote or other electronic Mortgage File documents to obtain view and print access to the eNote or other electronic Mortgage File documents held by an eCustodian to take appropriate action with:

- Payoff, foreclosure, repurchase, substitution, conversion, modification, or assumption of a Mortgage

- Request for view and print access by a Borrower as specified below

- Recordation of the assignment of a Security Instrument to Freddie Mac.

Seller/Servicer or other trusted parties must properly complete and send the Custodian Request for Release of Documents (Form 1036) to obtain a document held by the eCustodian.

Upon request, the eCustodian must provide an Authenticated Copy of one or more eNote and eMortgage Modification SMART Documents that could range in quantity from an individual request to all documents held in trust for an Investor.

The Servicer must provide the Borrower with view access to the Authoritative Copy of the eNote, or to print or download a copy of the Authoritative Copy of the eNote, from time to time, if requested by the Borrower. This is not intended to provide any Borrower with continuous or ongoing access to the Authoritative Copy of the eNote, but to permit the Borrower to: (i) view the Authoritative Copy of eNote the Borrower signed, or (ii) print or download a copy of the Authoritative Copy of the eNote the Borrower signed.

Freddie Mac is exploring requirements to satisfy the county land records that require an "original" eNote upon payoff or discharge.

7.1.3 Retention Period

The retention period for electronic documents is the same as that set forth for paper documents in the *Single-Family Seller/Servicer Guide.*

7.1.4 Sale of Mortgaged Premises Assumption of Mortgage

If the ownership of the Mortgaged Premises has been transferred and the property purchaser has assumed the eMortgage, any assumption agreement must be an Electronic Record signed by the new owner using an Electronic Signature and will be treated as an electronic loan modification agreement. The MERS® eRegistry must be updated to reflect the changed Borrower and the assumption agreement must be delivered and held in the same eMortgage Vault as the eNote. For additional requirements regarding loan modifications, refer to Section 6.2.4.

7.1.5 Loss Mitigation

This section provides requirements for loss mitigation activities as they relate to eMortgages.

7.1.5.1 eNote Modification Requirements

At present, Freddie Mac will not accept electronic modifications to paper Notes.

Electronic modification agreements must be executed in compliance with E-SIGN and UETA and any other laws necessary to maintain a valid enforceable eNote as well as with all requirements of this Handbook, including requirements for consent and Electronic Signatures. The signature requirements and notarization requirements are not modified because the modification is electronic. If notarization is not required by law or Freddie Mac today, electronic notarization is not required for the modification. If notarization is required by law or Freddie Mac, then the Electronic Signature must be witnessed in the physical presence of the notary public, and, if applicable, in the physical presence of any other required witnesses.

Modifications to a Freddie-Mac owned eNote must be reviewed and pre-approved by Freddie Mac.

The Servicer must validate that the paper modification agreement is recorded, if required, and logically associated with the eNote.

An electronic modification agreement that modifies an eNote must be registered in the MERS® eRegistry as soon as possible but not later than 24 hours after execution. If an electronic Note is modified using a

paper modification agreement, the Modification flag in the MERS® eRegistry must be set to Yes. Refer to Section 6 for requirements on submitting the modification agreement to the eCustodian and registering it in the MERS® eRegistry.

7.1.5.2 Short Payoffs

The Servicer is responsible for determining and executing the appropriate satisfaction documents for short payoffs, based on the requirements of the state in which the Mortgaged Premises is located.

7.1.5.3 Deed-in-Lieu

The Servicer is responsible for determining and executing the appropriate satisfaction documents for deeds-in-lieu, based on the requirements of the state in which the Mortgaged Premises is located.

7.1.6 Foreclosure, Bankruptcy, or Other Legal Proceedings

At present, and until legal experience with eMortgages has increased, the Servicer must contact Freddie Mac before pursuing legal action with respect to an eMortgage. The Servicer must use one of Freddie Mac's designated counsels or trustees specifically approved by Freddie Mac to handle eMortgage legal matters. If a Freddie Mac designated counsel or trustee is not available for the state in which the Mortgaged Premises is located, the Servicer must retain its own attorney, but the Servicer's attorney will be required to work with an attorney designated by Freddie Mac.

The Servicer is responsible for determining and executing the appropriate satisfaction documents for foreclosures or bankruptcies, based on the requirements of the state in which the Mortgaged Premises is located.

The Servicer is required to execute a Change Status Request in MERS following a foreclosure (see Section 6.2.3 for guidance).

7.1.7 Payoffs

The Servicer is responsible for determining and executing the appropriate satisfaction documents for payoff of an eMortgage, based on the requirements of the state in which the Mortgaged Premises is located.

The Servicer is required to execute a Change Status Request in MERS following a payoff (see Section 6.2.3 for guidance).

Appendix A: Authorized Uniform Instruments and Required Changes to Uniform Instruments

A.1 Electronic Notes

Freddie Mac requires that the Seller/Servicer use a Uniform Note, as follows:

A.2 Note Heading

An Electronic Note must contain the following heading:

Note
(For Electronic Signature)

A.3 New Paragraph 11

An electronic Note must contain a new paragraph 11 as follows:

"11. ISSUANCE OF TRANSFERABLE RECORD; IDENTIFICATION OF NOTE HOLDER; CONVERSION FROM ELECTRONIC NOTE TO PAPER-BASED NOTE

(A) I expressly state that I have signed this electronically created Note (the "Electronic Note") using an Electronic Signature. By doing this, I am indicating that I agree to the terms of this Electronic Note. I also agree that this Electronic Note may be Authenticated, Stored and Transmitted by Electronic Means (as defined in Section 11(F)), and will be valid for all legal purposes, as set forth in the Uniform Electronic Transactions Act, as enacted in the jurisdiction where the Property is located ("UETA"), the Electronic Signatures in Global and National Commerce Act ("E-SIGN"), or both, as applicable. In addition, I agree that this Electronic Note will be an effective, enforceable and valid Transferable Record (as defined in Section 11(F)) and may be created, authenticated, stored, transmitted and transferred in a manner consistent with and permitted by the Transferable Records sections of UETA or E-SIGN.

(B) Except as indicated in Sections 11 (D) and (E) below, the identity of the Note Holder and any person to whom this Electronic Note is later transferred will be recorded in a registry maintained by **[Insert Name of Operator of Registry here]** or in another registry to which the records are later transferred (the "Note Holder Registry"). The Authoritative Copy of this Electronic Note will be the copy identified by the Note Holder after loan closing but prior to registration in the Note Holder Registry. If this Electronic Note has been registered in the Note Holder Registry, then the authoritative copy will be the copy identified by the Note Holder of record in the Note Holder Registry or the Loan Servicer (as defined in the Security Instrument) acting at the direction of the Note Holder, as the authoritative copy. The current identity of the Note Holder and the location of the authoritative copy, as reflected in the Note Holder Registry, will be available from the Note Holder or Loan Servicer, as applicable. The only copy of this Electronic Note that is the authoritative copy is the copy that is within the control of the person identified as the Note Holder in the Note Holder Registry (or that person's designee). No other copy of this Electronic Note may be the authoritative copy.

(C) If Section 11 (B) fails to identify a Note Holder Registry, the Note Holder (which includes any person to whom this Electronic Note is later transferred) will be established by, and identified in accordance with, the systems and processes of the electronic storage system on which this Electronic Note is stored.

(D) I expressly agree that the Note Holder and any person to whom this Electronic Note is later transferred shall have the right to convert this Electronic Note at any time into a paper-based Note (the "Paper-Based Note"). In the event this Electronic Note is converted into a Paper-Based Note, I further expressly agree that: (i) the Paper-Based Note will be an effective, enforceable and valid negotiable

instrument governed by the applicable provisions of the Uniform Commercial Code in effect in the jurisdiction where the Property is located; (ii) my signing of this Electronic Note will be deemed issuance and delivery of the Paper-Based Note; (iii) I intend that the printing of the representation of my Electronic Signature upon the Paper-Based Note from the system in which the Electronic Note is stored will be my original signature on the Paper-Based Note and will serve to indicate my present intention to authenticate the Paper-Based Note; (iv) the Paper-Based Note will be a valid original writing for all legal purposes; and (v) upon conversion to a Paper-Based Note, my obligations in the Electronic Note shall automatically transfer to and be contained in the Paper-Based Note, and I intend to be bound by such obligations.

(E) Any conversion of this Electronic Note to a Paper-Based Note will be made using processes and methods that ensure that: (i) the information and signatures on the face of the Paper-Based Note are a complete and accurate reproduction of those reflected on the face of this Electronic Note (whether originally handwritten or manifested in other symbolic form); (ii) the Note Holder of this Electronic Note at the time of such conversion has maintained control and possession of the Paper-Based Note; (iii) this Electronic Note can no longer be transferred to a new Note Holder; and (iv) the Note Holder Registry (as defined above), or any system or process identified in Section 11 (C) above, shows that this Electronic Note has been converted to a Paper-Based Note, and delivered to the then-current Note Holder.

(F) The following terms and phrases are defined as follows: (i) "Authenticated, Stored and Transmitted by Electronic Means" means that this Electronic Note will be identified as the Note that I signed, saved, and sent using electrical, digital, wireless, or similar technology; (ii) "Electronic Record" means a record created, generated, sent, communicated, received, or stored by electronic means; (iii) "Electronic Signature" means an electronic symbol or process attached to or logically associated with a record and executed or adopted by a person with the intent to sign a record; (iv) "Record" means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form; and (v) "Transferable Record" means an electronic record that: (a) would be a note under Article 3 of the Uniform Commercial Code if the electronic record were in writing and (b) I, as the issuer, have agreed is a Transferable Record."

A.4 Note Tagline

An Electronic Note must contain a new tagline. Freddie Mac will provide this information as and when needed.

Appendix B: Glossary of Terms

Alteration means a change to the terms or conditions of a Record, or change in the variable information added to the Record, after it is signed, or if it is not required to be signed, after it is delivered to the intended recipient.

Assumption means a transfer of the primary obligation to pay the mortgage indebtedness secured by a Mortgage lien on property from the seller of property to the purchaser of the property.

Authenticated Copy means the duplicate of the Authoritative Copy with the same tamper-evident digital signature.

Authoritative Copy means the copy of the Transferable Record (eNote) that has been registered on the MERS® eRegistry.

Borrower means a Borrower as defined in the *Single-Family Seller/Servicer Guide*, and in addition, any Person purchasing the real property securing the loan, executing the promissory note (eNote/Transferable Record), executing a guaranty of the debt evidenced by the promissory note (eNote/Transferable Record), or signing a security instrument in connection with a loan.

Consumer means a Person defined as a Consumer under, (i) the federal E-SIGN Act, to the extent E-SIGN applies to a transaction or (ii) applicable state law, to the extent state law applies to a transaction.

Control means that a Person has control of an eNote (Transferable Record) if a system employed for evidencing the transfer of interests in the eNote (Transferable Record) reliably establishes that Person is the Person to which the eNote (Transferable Record) was issued or transferred pursuant to Section 16 of UETA and Section 201 of E-SIGN. (For example, having Control of an eNote (Transferable Record) resulting from an electronic loan transaction can be thought of as comparable to having possession of an original paper note resulting from a paper loan transaction.)

Controller means the Person named in the MERS® eRegistry that has Control of the Authoritative Copy of the eNote (Transferable Record). (For example, the Controller can be thought of as the "holder," "holder in due course," and/or "purchaser" of an original paper note as defined under the Uniform Commercial Code.)

Delegatee means a member of the MERS® eRegistry that is authorized by the Controller to perform certain MERS® eRegistry transactions on the Controller's behalf.

Digital Signature or Encryption Key means an asymmetric encryption transformation used to approve or sign an Electronic Record or detect Alteration of an Electronic Record.

Document Custodian means the custodian as defined in the *Single-Family Seller/Servicer Guide*.

E-SIGN means the federal Electronic Signatures in Global and National Commerce Act passed by Congress and signed into law by the President in 2000 that governs certain types of electronic transactions in states and territories that have not enacted the federally approved version of UETA. E-SIGN pre-empts, in whole or in part, state and territory enactments of UETA that deviate from the federally approved version of UETA. For example, the E-SIGN governs the creation, registration, transfer, maintenance, and storage of electronic promissory notes in states and territories that have not enacted the federally approved version of UETA.

eCustodian means the Freddie Mac-approved electronic note custodian.

Electronic Note or eNote means an electronic record that would be a promissory note if it was issued in paper, and that the Borrower has agreed to issue as a Transferable Record.

eNote Modification means an amendment to an eNote. If MERSCORP, Inc. is the designated Note Holder Registry in the eNote, it also means a transaction on the MERS® eRegistry reflecting a change to one or more provisions of a specified eNote.

Electronic Record means a Record created, generated, sent, communicated, received, or stored by electronic means.

Electronic Signature means an electronic symbol or process attached to or logically associated with a Record and signed or adopted by a Person with the intent to sign the Record.

Electronic Mortgage Vault or eMortgage Vault means a transferable records management solution that meets E-SIGN, UETA, and other compliance requirements. The concept is somewhat similar to that of the vaults that hold paper records and administered by the document custodian industry today. In addition to the Transferable Records, the solution may support other types of electronic Documents.

Foreclosure means the legal process initiated by a mortgagee following a default by the mortgagor in which the mortgagor's interest in the Mortgaged Premises is forfeited to pay the sums due and payable to the mortgagee under a promissory note secured by the Mortgage. If MERSCORP, Inc. is the designated Note Holder Registry in the eNote, it also means that the Servicer, as Delegatee, initiates an update in the MERS® eRegistry.

Loan Modification means an amendment to a Note or Mortgage. If MERSCORP, Inc. is the designated Note Holder Registry in the eNote, it also means that the Servicer, as Delegatee, initiates a modification flag update on the MERS® eRegistry and registers the modification agreement as a new eNote (Transferable Record) (old and new are cross-referenced on the MERS® eRegistry). If the new Note is still an eNote (Transferable Record), the Authoritative Copy of the Transferable Record is sent to an eMortgage Vault. If the new Note is paper, it is sent to the document custodian.

Location means the Person named on the MERS® eRegistry that maintains the Authoritative Copy of the eNote either as Controller or as a custodian on behalf of the Controller.

MERS means Mortgage Electronic Registration Systems, Inc.

MERS® eRegistry means the electronic registry operated by MERSCORP, Inc. that serves as the system of record to identify the current Controller and Location of the Authoritative Copy of an eNote.

MERS® System means an electronic registry that tracks changes in loan servicing and beneficial ownership rights. Member companies update the registry via MERS® OnLine (the browser-based interface) or through batch file interfaces.

MIN or Mortgage Identification Number means the 18-digit number composed of a seven-digit Organization ID, 10-digit sequence number, and check digit. The MIN is used to cross-reference eNotes to modifications and addenda.

MISMO or Mortgage Industry Standards Maintenance Organization means the body created by the Mortgage Bankers Association (MBA) in October 1999 to develop, promote, and maintain voluntary electronic commerce standards for the mortgage industry.

MOM means MERS as the Original Mortgagee. This language is written into security instruments to establish MERS as the Original Mortgagee and nominee for the Lender, its successors, and assigns.

Mortgage File means the following documents: promissory note (eNote/Transferable Record), security instrument, consumer disclosures, title insurance policy or other evidence of title, hazard insurance binder or certificate, flood zone certificate, collateral assessment information, and other documents associated with a real estate secured loan required in accordance with the *Single-Family Seller/Servicer Guide* and/or customarily included in the loan documentation file created by the originating lender (see the *Single-Family Seller/Servicer Guide*).

Note holder means the Person to whom the eNote (Transferable Record) was issued as original obligee or, if the eNote (Transferable Record) has been transferred, the current transferee entitled to enforce the note.

Original Borrower means that this field on the MERS® eRegistry, in the case of an Assumption, reflects the Person or Persons who were originally named as the Borrowers in the associated eNote.

Paid Off means a mortgage has been paid in full. If MERSCORP, Inc. is the designated Note Holder Registry in the eNote, it also means a Change Status Request transaction on the MERS® eRegistry reflecting a payoff of a specified eNote.

Payoff means the amount of money that must be paid to satisfy an outstanding indebtedness. If MERSCORP, Inc. is the designated Note Holder Registry in the eNote, it also means that the Seller/Servicer/Servicer, as Delegatee of Freddie Mac, initiates an update on the MERS® eRegistry. Servicer provides a "certified" copy of the eNote marked "Paid Off" or "Canceled" to the Borrower. The eMortgage Vault is updated with payoff information; eNote is "archived." MERS receives and records payoff update on eRegistry.

Person means a natural Person or a legal entity.

PIN means a Personal identification number.

Procedure or Process means the series of actions or steps necessary to perform a particular task or meet a particular requirement of these specifications. Except where applicable law or the context requires otherwise, a Procedure may be deployed through electronic means, or involve steps or actions which are non-electronic, or a combination of the two.

Property Owner means any Person who owns an interest in the real property securing the mortgage, either before or after the loan is originated, other than a Person whose only interest in the real property is as a lien holder.

Record means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

Registration Reversal means a transaction that reverses the registration of an eNote from the MERS® eRegistry that was registered in error.

Repurchase means a Seller is required to reacquire a Mortgage sold to Freddie Mac by paying a specified price to Freddie Mac and accepting transfer of ownership of the Mortgage from Freddie Mac. If MERSCORP, Inc. is the designated Note Holder Registry in the eNote, it also means that the Investor transfers the Authoritative Copy of the eNote (Transferable Record) to the Seller/Servicer's eMortgage Vault. The Seller/Servicer's eMortgage Vault confirms and stores the Authoritative Copy of the eNote (Transferable Record). MERS receives and records the transfer of control and location of the Authoritative Copy of the eNote (Transferable Record) in the MERS® eRegistry. Freddie Mac returns control of the eNote (Transferable Record) to the Servicer because Freddie is no longer the owner of the eNote (Transferable Record).

Seller/Servicer means the Seller/Servicer as defined in the *Single-Family Seller/Servicer Guide*.

Servicer means the Seller/Servicer or Servicer as defined in the *Single-Family Seller/Servicer Guide*.

SISAC means Secure Identity Services Accreditation Corporation. SISAC is responsible for accrediting digital identity credential issuers for the mortgage industry. SISAC is owned by the MBA.

SMART Document or SMART Doc means an electronic document created to conform to a specification standardized by MISMO. A SMART Document locks together data and presentation in such a way that it can be system-validated to guarantee the integrity of the document. There are different categories of SMART Docs as specified by MISMO that may be referenced in this Handbook.

System means a computer system, or any component of such computer system, used to create, register, transfer, store, maintain, retrieve, and/or secure an eNote or other electronic Mortgage File documents.

System Provider means a Person that provides a System, or any component of such System, used to create, register, transfer, store, maintain, retrieve, and/or secure an eNote or other electronic Mortgage File documents.

System Rules mean the rules embedded in a System by the System Provider that must be agreed to by all parties using a particular System.

Tamper-Evident Digital Signature means a "seal" wrapping an electronic document that is created by a digital signature. The seal can be verified to ensure that no changes have been made to the document since the seal was put in place. Sometimes referred to as "evident digital signature," "tamper-evident seal," "tamper seal" or "hash value."

Tamper Seal means to use an Encryption Key to authenticate the combination of an Electronic Record and existing Electronic Signatures associated with that Electronic Record, or to detect Alterations to the combination of the Electronic Record and the prior Electronic Signatures, or to authenticate or detect Alterations in a package of multiple Electronic Records. A tamper "seal" wraps an electronic document that is created by a digital signature. The seal can be verified to ensure that no changes have been made to the document since the seal was put in place. Also known as "tamper-evident digital signature."

Transfer of Control means the relinquishment of a person's right, title, and interest in an eNote (Transferable Record) to another person within an electronic registry. If MERSCORP, Inc. is the designated Note Holder Registry in the eNote, it also means a MERS® eRegistry transaction that results in a change in the Controller of the eNote (Transferable Record).

Transfer of Servicing means the assignment, sale, conveyance or other transfer of all Servicing duties and responsibilities set forth in the Purchase Documents with respect to Mortgages and Real Estate Owned (REO) owned in whole or in part by Freddie Mac.

Transferable Record means an Electronic Record under E-SIGN and UETA that (1) would be a note under the Uniform Commercial Code if the Electronic Record were in writing; (2) the issuer of the Electronic Record expressly has agreed is a Transferable Record; and (3) for purposes of E-SIGN, relates to a loan secured by real property. A Transferable Record is also referred to as an eNote.

Trusted Third Party means a Person other than the Note holder or Seller/Servicer who is in the business of providing services intended to enhance (i) the trustworthiness of the Process for signing Electronic Records using an Electronic Signature, or (ii) the integrity and reliability of the signed Electronic Records.

UCC means the Uniform Commercial Code, which is a model code promulgated by the National Conference of Commissioners on Uniform State Laws ("NCCUSL") and then recommended by NCCUSL to the states and territories of the United States for adoption and which, if enacted into law in a particular state or territory, governs certain types of commercial transactions and instruments within its purview. For example, UCC Article 3 governs paper negotiable instruments, including promissory notes secured by mortgages.

UETA means the Uniform Electronic Transactions Act of 1999, which is a model act promulgated by the National Conference of Commissioners on Uniform State Laws ("NCCUSL") and then recommended by NCCUSL to the states and territories of the United States for adoption, and, which if enacted into law in a particular state or territory, governs certain types of electronic transactions within its purview, unless pre-empted in whole or in part by E-SIGN. For example, UETA governs eNotes (Transferable Records) secured by Mortgages.

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