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BULLETIN NO. 2005-11

September 14, 2005

TO: ALL LENDERS, SARS, HOLDERS AND SERVICERS

SUBJ: MORTGAGE ELECTRONIC REGISTRATION SYSTEM (MERS)

Purpose

This bulletin announces that Mortgage Electronic Registration System (MERS) registration fee is considered an allowable closing cost for veterans obtaining a VA guaranteed home loan.

Background

MERS was created by the mortgage banking industry to streamline the mortgage process by using electronic commerce to help eliminate certain paper records. MERS is a database that tracks the ownership of the beneficial interest in a loan and its servicing rights. MERS serves as mortgagee of record in the public land records as nominee for the beneficial owner of the mortgage loan and mortgage servicing rights. MERS becomes the mortgagee of record by assignment, or in the original security instrument. Once MERS becomes the mortgagee of record, subsequent assignments of the mortgage, in connection with transfers of servicing or sale of a beneficial interest in the loan, are unnecessary.

The MERS registration fee is a one-time fee. Presently, the basic fee is \$3.95 and is considered "reasonable and customary". This fee has been paid in connection with 32 million loans nationwide and is accepted in the conventional market, where it is an allowable borrower charge permitted by both FNMA and Freddie Mac.

Required Action

In accordance with the requirements of the Real Estate Settlement Procedures Act (RESPA), the MERS registration fee must be disclosed in the Good Faith Estimate and the HUD-1.

A handwritten signature in black ink, appearing to read "R. Biagioli".

R. BIAGIOLI
Loan Guaranty Officer