GETTING STARTED WITH eNOTES

FHLBank ATLANTA
A FEDERAL HOME LOAN BANK

FHLBank Atlanta is currently analyzing and developing internal requirements and processes for future acceptance of eNotes as collateral in the 1-4 residential portfolio. The information below is designed to help our members understand the fundamentals necessary for originating acceptable eNotes and to ensure their internal processes and systems are prepared to follow the requirements for pledging eNotes as collateral.

What Constitutes Acceptable eNote Collateral?

In order to be acceptable as pledged collateral, an eNote must be a valid and enforceable transferable record pursuant to the Uniform Electronic Transactions Act (UETA), the Electronic Signatures in Global and National Commerce Act (ESIGN) or otherwise applicable law. An acceptable eNote requires each of the following:

- A promissory note that is originated, signed, and stored electronically according to the standards for a transferable record
- An authoritative electronic copy of the note must exist in a file format known as a MISMO SMARTDoc
- The eNote must be registered with the MERS eRegistry
- The eNote must be stored in an eVault
- All eNotes must meet the FHLBanks' eNotes Model Collateral Acceptance Requirements and Guidelines.

What Types of eNotes will be Eligible for Acceptance as Collateral?

Currently, FHLBank Atlanta will only accept eNotes in the 1-4 residential portfolio. The infrastructure and market standards required to support eNotes in other loan portfolios (such as commercial real estate or home equity lines of credit) have not yet been established.

WHAT DO I NEED TO DO TO GET STARTED?

Five Steps to Get Started

Contact your Collateral Relationship Specialist to discuss pledging eNotes as collateral

Review the "Introduction to eNotes" video

Review the eNotes Model Collateral Acceptance Requirements and Guidelines to ensure your processes and systems follow the requirements

Become a member of the Mortgage Electronic Registration Systems (MERS) and execute the required documentation for the MERS eRegistry

Engage an eVault vendor

FEDERAL HOME LOAN BANK OF ATLANTA
1475 Peachtree Street, N.E. | Atlanta, GA 30309 | www.fhlbatl.com | 1.800.536.9650

COMMONLY USED TERMS:

Authoritative Copy: A single, transferable record that is unique and identifiable. The Authoritative Copy identifies the entity asserting control of the eNote. It is maintained in an eVault by the Controller or a Custodian. This takes the place of the original, ink-signed note in the paper world.

Controller: The entity named on the System of Record that has control of the eNote. Also known as the Holder.

eVault: An eVault is a specialized document storage system that holds eNotes (and other digital loan documents) and manages their transfer across vaults. eVault technology works by permanently binding electronic signatures to a document and creating a tamper-proof audit trail that demonstrates ownership and compliance.

Hybrid Closing: A loan where all loan documents are signed electronically, includeing the note, but the mortgage/security instrument has been executed with a wet ink signature.

Imaged Note: A loan where a wet ink signature paper note was executed and electronically scanned. An Imaged Note is not a Transferable Record or eNote.

Location: The entity that maintains the Authoritative Copy of the eNote, along with any electronic documents that modify the terms of the eNote.

MERS eRegistry: The MERS® eRegistry is the mortgage industry's "system of record" for holders of eNotes. A national eNote registry is part of the industry's response for developing systems that can rely upon UETA and E-SIGN to establish legal effectiveness of electronic notes for mortgage loans. The registry identifies the current Controller (holder) and Location of the Authoritative Copy of an eNote. The Controller of an eNote can have the equivalent rights as that of a "Holder in Due Course" of a paper negotiable promissory note.

MISMO: MISMO® stands for Mortgage Industry Standards Maintenance Organization. It is the standards development body for the mortgage industry. MISMO developed a common language for exchanging information for the mortgage finance industry. MISMO is a subsidiary of the Mortgage Bankers Association.

Transferable Record: An electronic record as defined by UETA, ESIGN, or otherwise applicable law that would be considered a note under Article 3 of the Uniform Commercial Code if it were in writing and the issuer has agreed that it is a transferable record.