Mortgage Backed Assets

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Secondary Market

A. Intangible [UCC9] = Trust Certificates (Personal Property of Investors) (Electronic Intangible) secured by the Payment Intangible

B. Payment Intangible [UCC9] = Mortgage #a Payment Stream (Intangible's Security) (Electronic Intangible) secured by Mortgage #a

C. Mortgage #a [UCC9] = (Payment Intangible's Security) consists of electronic copies of Mortgage Note secured by a lien (Paper Tangible/Electronic Intangible*******) (Personal Property)

Primary Market

D. Secured Mortgage Note [UCC3] {Payment Stream} = (Security for Mortgage #a) (Tangible) (Personal Property) secured by Mortgage #b

E. Lien/Mortgage #b [Laws of Jurisdiction] = (Security for Secured Mortgage Note) (Tangible) (Personal Property)

***** Electronic Intangible Negotiable Instruments lack supporting law.**

Comments: Mortgage #a/#b is registered with MERS; Loan Originator sells (Mortgage #a) to a securities Seller/Securitizer/Aggregator, with subsequent sale to Depositor, and with an additional subsequent sale to Trustee; under today's current process, only a blank endorsement by the Originating Lender is executed. This original Mortgage Note, after scanning into Mortgage #a form, in blank, is either vaulted for the benefit of the Intangible's owner or in instances is destroyed. Where there are violations of law at stages A thru C vaulting or destruction is irrelevant. What is in all probability sold regarding the Mortgage Note is the right of control over the custodian if such Mortgage Note was not destroyed?

The use of the Security follows the note under UCC Article 9 only applies to the secondary market, where UCC Article 9 allows transfer of lien perfection without recordation. Using the security follows the note in the primary market requires compliance with local laws of jurisdiction.

Hence you hear the banks scream and holler, “The security follow the note.” Yeppers, that is correct. But there are two eyeballs looking in at what occurs today. The Note can travel without notice requirements, whereas the transfer of a perfected lien requires notice.

Conclusion: If such Note was sold and lien perfection was not timely perfected in the subsequent purchaser’s name, the lien would no longer be perfected in the predecessor’s name, and as there was no perfection filed for record in the subsequent Note purchaser’s name, the lien just simply expires due to inaction as per law.

Imagine the Headline:

“God Fires Congress”

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