



GMAC Mortgage, LLC

Mortgage Electronic Registration System

Prepared for the Board of Governors of the Federal Reserve System & the Federal Deposit Insurance Corporation

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Plan Overview for Mortgage Electronic Registration System

This Program for the Mortgage Electronic Registration System action plan (the “Program”) is established in response to the Consent Order dated April 13, 2011 (the “Order”) among the Board of Governors of the Federal Reserve System (the “FRB”), the Federal Deposit Insurance Corporation (the “FDIC”), Ally Bank (the “Bank”), Ally Financial Inc. (“Ally Financial” or “AFI”), and certain of Ally Financial’s direct and indirect subsidiaries including Residential Capital, LLC (“ResCap”) and GMAC Mortgage, LLC (“GMACM” and together with Rescap, the “Mortgage Servicing Companies”). Capitalized terms not defined in the Program shall have the meanings assigned to them in the Order.

The purpose of this Program is to set forth the actions and responsibilities necessary for GMACM to comply fully with its obligations under Section 9 of the Order (see the Principles Guiding the Proposal section of this Program). Section 9 of the Order requires that GMACM take the following actions:

Within 60 days of this Order, the GMAC Mortgage shall submit an acceptable plan to ensure appropriate controls and oversight of the Mortgage Servicing Companies’ activities with respect to MERS and compliance with MERS’ membership rules, terms, and conditions (“MERS Requirements”) (“MERS Plan”). The MERS Plan shall include, at a minimum:

- (a) Processes to ensure that all mortgage assignments and endorsements with respect to mortgage loans serviced or owned by the Mortgage Servicing Companies out of MERS’ name are executed only by a certifying officer authorized by MERS and approved by the Mortgage Servicing Companies;*
- (b) Processes to ensure that all other actions that may be taken by MERS certifying officers (with respect to mortgage loans serviced or owned by the Mortgage Servicing Companies) are executed by a certifying officer authorized by MERS and approved by the Mortgage Servicing Companies;*
- (c) Processes to ensure that the Mortgage Servicing Companies maintain up-to-date corporate resolutions from MERS for all Mortgage Servicing Companies employees and third-parties who are certifying officers authorized by MERS, and up-to-date lists of MERS certifying officers;*
- (d) Processes to ensure compliance with all MERS Requirements and with the requirements of the MERS Corporate Resolution Management System;*
- (e) Processes to ensure the accuracy and reliability of data reported to MERS, including monthly system-to-system reconciliations for all MERS mandatory reporting fields, and daily capture of all rejects/warnings reports associated with registrations, transfers, and status updates on open-item aging reports. Unresolved items must be maintained on open-item aging reports and tracked until resolution. The Mortgage Servicing Companies shall determine and report whether the foreclosures for loans serviced by the Mortgage Servicing Companies that are currently pending in MERS’ name are accurate and how*

many are listed in error, and describe how and by when the data on the MERS system will be corrected;

- (f) An appropriate MERS quality assurance workplan, which clearly describes all tests, test frequency, sampling methods, responsible parties, and the expected process for open-item follow-up, and includes an annual independent test of the control structure of the system-to-system reconciliation process, the reject/warning error correction process, and adherence to the MERS Plan; and*
- (g) Inclusion of MERS in the Mortgage Servicing Companies' third-party vendor management process, which shall include a detailed analysis of potential vulnerabilities, including information security, business continuity, and vendor viability assessments.*

In response to the Order, GMACM has prepared on behalf of the Mortgage Servicing Companies this Program for the Mortgage Servicing Companies relating to Item 9 of the Order and the requirements therein.

Description and Use of MERS

The mortgage banking industry created Mortgage Electronic Registration Systems, Inc. to streamline the mortgage process by using electronic commerce to eliminate paper and better enable mortgage asset trading. Mortgage Electronic Registration Systems Inc. ("MERS") is a bankruptcy-remote subsidiary of MERSCORP, Inc. whose sole purpose is to serve as mortgagee in the land records for loans registered on the MERS System and governed by the membership rules of MERSCORP, Inc. and MERS, Inc. In many cases, MERS is named as nominee in the county land records for the lender and servicer via specific language in the original security instrument. When MERS is named as the original mortgagee/beneficiary, it is by means of specific language in that original document (otherwise known as "MOM" language). Lenders or servicers may also assign security instruments to MERS as nominee if MOM language was not included at the time of origination ("Non-MOM" loans).

The use of MOM language in security instruments has been approved by Fannie Mae, Freddie Mac, Ginnie Mae, FHA and VA, the California and Utah Housing Finance Agencies, as well as all of the major Wall Street rating agencies. Fannie Mae and Freddie Mac adopted standard MERS security instrument language for use in their uniform documents for each state.

The MERS System, a proprietary electronic registry operated by MERS, although not the legal system of record, was designed to electronically track those security instruments incorporating MOM language at origination ("MOM Loans"), of non-MOM loans and, if applicable, future transfers of beneficial rights in the loans and those security instruments to subsequent investors. Because MERS remains the mortgagee or beneficiary in the land records, transfers do not require additional assignments unless transferring servicing to a non-MERS member.

Parties who benefit from the existence of MERS and its operation of the MERS System include mortgage originators, servicers, warehouse lenders, wholesale lenders, retail lenders, document custodians, settlement agents, title companies, insurers, investors, county recorders

and consumers. These benefits are derived from an increase in efficiency in the residential mortgage transfer process as loans remaining registered on the MERS System avoid the need to file assignments in the county land records (except in circumstances where a MERS rule requires such an assignment). This lowers costs for lenders and consumers while better enabling transfer of beneficial ownership interest and mortgage servicing rights. Additionally, the MERS System provides benefits by serving as a central source of information and tracking for mortgage loans registered.

The Mortgage Servicing Companies utilize the MERS System when acting in a servicing, subservicing, investor, interim funder, custodial, or other MERS-associated capacity for residential mortgage loans.

Principles Guiding the Program

The cornerstone of the Program is the comprehensive review of compliance with the terms of the membership rules of MERS throughout the Mortgage Servicing Companies. This review was initiated and remains underway in order to facilitate the development of the Program. As a result of this review, the Mortgage Servicing Companies are planning, and in some cases implemented, the following actions relating to their ongoing use of MERS:

- (1) Establishing a MERS Relationship Manager (completed)
- (2) Establishing a MERS Council (completed)
- (3) Developing and implementing the Mortgage Servicing Companies' MERS Policy and Procedures by October 1, 2011
 - (a) MERS Policy
 - (b) MERS Certifying Officer Procedure
 - (c) MERS Governance Change Management Procedure
 - (d) MERS Servicing Transfer Procedure
 - (e) MERS Beneficial Interest Transfer Procedure
 - (f) MERS Foreclosure Activity Procedure
 - (g) MERS Bankruptcy Activity Procedure
 - (h) MERS Recovery Procedure
 - (i) MERS Check Endorsement Procedure
 - (j) MERS Lien Release Procedure
 - (k) MERS Servicing Change Management Procedure
 - (l) MERS Data Reconciliation Procedure
 - (m) MERS Warehouse Lending Procedure
 - (n) MERS Registration Procedure
 - (o) Pledge Activity Procedure
 - (p) MERS eNote Transaction Procedure

- (4) Developing and implementing a MERS Quality Assurance Workplan by February 1, 2012
- (5) Enhancing and implementing a MERS data validation model which identifies data discrepancies (between the MERS and servicing systems) by November 2011
- (6) Including MERS in the Mortgage Servicing Companies' enhanced third party vendor management process by February 1, 2012

The Mortgage Servicing Companies are the process of performing reviews of remedial actions and Appendix III provides a summary of the nature of the reviews and details on the remedial actions.

Consent Order Response

A. Consent Order Response to Section 9a

Consent Order section 9a requires:

- (a) *Processes to ensure that all mortgage assignments and endorsements with respect to mortgage loans serviced or owned by the Mortgage Servicing Companies out of MERS' name are executed only by a certifying officer authorized by MERS and approved by the Mortgage Servicing Companies;*

GMACM initiated a review of the Mortgage Servicing Companies' certifying officer process in March 2011 and concluded its first round assessment in May. GMACM is currently in the process of completing its certifying officer assessment and will bring this review to closure by the beginning of September 2011. As a result of this review, GMACM plans to take at least the remedial actions noted in Appendix III and described below.

GMACM is performing a review of document signers to evaluate each individual's status as an employee and officer of the relevant Mortgage Servicing Company, MERS function and certified officer status with MERS. MERS requires that a certifying officer is an officer of the Member or has signing authority. Revised corporate resolutions have been developed as a result of this initial document signer review, and MERS ratified the initial of these corporate resolution submissions on May 17, 2011.

Although not formally codified by MERS, the Mortgage Servicing Companies are also currently evaluating pending MERS rule changes, which could potentially require additional assignment or endorsement activity. The pending foreclosure/bankruptcy rule change is fairly consistent with the current policies of the Mortgage Servicing Companies, which require the execution of an assignment out of MERS' name before executing the first legal action related to a foreclosure proceeding or issuing a proof of claim in a bankruptcy proceeding. MERS is continuing to evaluate its pending assignment rule change and clarifying its intentions. As such, the Mortgage Servicing Companies will further augment its policy and procedures once MERS fully communicates its rule change details.

The Mortgage Servicing Companies began drafting the proposed MERS policy and procedures in April 2011 and will implement them in October 2011. These documents include appropriate processes and reviews to ensure that the execution of mortgage assignments and endorsements out of MERS' name are performed by a certifying officer approved by MERS and authorized by the Mortgage Servicing Companies. The documents detail processes such as how to add certifying officers to corporate resolutions, remove certifying officers from corporate resolutions and change information relating to certifying officers. They also address quarterly corporate resolution reconciliation and annual corporate resolution recertification requirements.

The Mortgage Servicing Companies are also evaluating ways to improve the tracking of its assignment activities from preparation through execution, notarization, and subsequent recordation. In the interim, non-automated solutions have been designed as reflected within the proposed policy and procedures; however, potential long-term solutions are under evaluation with consideration of an enhancement to existing management information systems and/or entering into a third-party relationship with a company offering document tracking and reporting solutions. The Mortgage Servicing Companies started evaluating these solutions in June 2011 and will institute an implementation plan upon completion of their review in October 2011. The timing to implement the long-term solution will be March 2012.

Attached to this Program are copies of the following draft documents referred to in this section:

- Appendix A: Draft MERS Policy
- Appendix B: Draft MERS Certifying Officer Procedure
- Appendix C: Draft MERS Governance Change Management Procedure
- Appendix D: Draft MERS Servicing Transfer Procedure
- Appendix E: Draft MERS Beneficial Interest Transfer Procedure
- Appendix F: Draft MERS Foreclosure Activity Procedure
- Appendix G: Draft MERS Bankruptcy Activity Procedure
- Appendix H: Draft MERS Recovery Procedure
- Appendix I: Draft MERS Check Endorsement Procedure

B. Consent Order Response to Section 9b

Consent Order section 9b requires:

- (b) Processes to ensure that all other actions that may be taken by MERS certifying officers (with respect to mortgage loans serviced or owned by the Mortgage Servicing Companies) are executed by a certifying officer authorized by MERS and approved by the Mortgage Servicing Companies;*

As documented in section 9A of this Program, GMACM initiated a review of the Mortgage Servicing Companies' certifying officer process in March 2011 and concluded its first round assessment in May. GMACM is currently in the process of completing its certifying officer assessment and will bring this review to closure by the beginning of September 2011. As a

result of this review, GMACM plans to take at least the remedial actions noted in Appendix III and summarized below.

GMACM is performing a review of document signers to evaluate each individual's status as an employee and officer of the relevant Mortgage Servicing Company, MERS function and certified officer status with MERS. MERS requires that a certifying officer is an officer of the Member or has signing authority. Revised corporate resolutions have been developed as a result of the initial document signer review, and MERS ratified the initial of these corporate resolution submissions on May 17, 2011.

The Mortgage Servicing Companies also began drafting the proposed MERS policy and procedures, as mentioned previously in section 9A of this Program, and they include the appropriate processes and reviews to ensure that the execution of mortgage assignments and endorsements out of MERS' name are performed by a certifying officer approved by MERS and authorized by the Mortgage Servicing Companies. These policy and procedure document will be implemented by October 2011.

The Mortgage Servicing Companies are also considering reducing reliance on third-parties for document execution including the cessation of an outsourcing relationship for MERS-related lien release execution. An implementation plan was developed in May 2011 and fully executed resulting in all MERS-related lien release execution activities being administered by employees of GMACM.

Attached to this Program are copies of the following draft documents referred to in this section:

- Appendix A: Draft MERS Policy
- Appendix B: Draft MERS Certifying Officer Procedure
- Appendix C: Draft MERS Governance Change Management Procedure
- Appendix J: Draft MERS Lien Release Procedure
- Appendix K: Draft MERS Servicing Change Management Procedure

C. Consent Order Response to Section 9c

Consent Order section 9c requires:

- (c) *Processes to ensure that the Mortgage Servicing Companies maintain up-to-date corporate resolutions from MERS for all Mortgage Servicing Companies employees and third-parties who are certifying officers authorized by MERS, and up-to-date lists of MERS certifying officers;*

GMACM is performing a review of the Mortgage Servicing Companies' certifying officer process and corporate resolution processes as documented in section 9A of this Program. The review began in March 2011 and the first round assessment was completed in May. GMACM is currently in the process of completing its certifying officer assessment and will bring this review to closure by the beginning of September 2011. As a result of this review, GMACM plans to at least take the remedial actions noted in Appendix III and summarized below.

GMACM is performing a review of document signers to evaluate each individual's status as an employee and officer of the relevant Mortgage Servicing Company, MERS function and certified officer status with MERS. MERS requires that a certifying officer is an officer of the Member or has signing authority. Revised corporate resolutions have been developed as a result of the document signer review and MERS ratified the initial of these corporate resolution submissions on May 17, 2011.

As an action under the Program, the Mortgage Servicing Companies began a process in April 2011 to resign certain Organization Identification Numbers ("Org ID") and associated corporate resolutions that are no longer necessary for the Mortgage Servicing Companies and are in the process of evaluating additional resignation opportunities. The review will conclude by September 2011 with the Mortgage Servicing Companies ultimately retaining a small number of Org ID numbers and associated corporate resolutions.

GMACM has proposed an enhanced corporate resolution process whereby the associates responsible for many MERS-related activities ("MERS Team") would perform quarterly reconciliations and annual recertifications of certifying officers listed on the Mortgage Servicing Companies' outstanding corporate resolutions. Additionally, the MERS Team would perform an annual OrgID certification as outlined in the MERS policy and procedure documents the Mortgage Servicing Companies began drafting in April 2011 and will implement by October 2011. These activities will be subject to oversight from the MERS quality assurance function proposed in the MERS Quality Assurance Workplan which the Mortgage Servicing Companies began drafting in May 2011 and will implement by February 2012.

Attached to this Program are copies of the following draft documents referred to in this section:

- Appendix A: Draft MERS Policy
- Appendix B: Draft MERS Certifying Officer Procedure
- Appendix C: Draft MERS Governance Change Management Procedure
- Appendix Q: Draft MERS Quality Assurance Workplan

D. Consent Order Response to Section 9d

Consent Order section 9d requires:

- (d) *Processes to ensure compliance with all MERS Requirements and with the requirements of the MERS Corporate Resolution Management System;*

GMACM is performing a review of the Mortgage Servicing Companies' use of MERS to ensure compliance with MERS Requirements and with requirements of the MERS Corporate Resolution Management System. As a result of this review, GMACM plans to take at least the remedial actions noted in Appendix III.

GMACM is in the process of executing a campaign to educate its outside default counsel on the Mortgage Servicing Companies' pre-foreclosure and pre-bankruptcy assignment policy, which requires an assignment of the security interest out of MERS' name to be executed prior to performing first legal action (foreclosure) or issuing a proof of claim (bankruptcy) and a

prompt submission for recording of the executed assignments. This campaign includes announcements to and conference calls with the outside default counsel network and the implementation of enhanced oversight of the policy and communication of remediation efforts. GMACM initiated a pre-first legal action assignment policy in October 2010 and further coordinated the change in February 2011 by holding a mandatory conference call to discuss the policy change with its outside default counsel. After MERS sent its proposed foreclosure and bankruptcy assignment rule change, GMACM further updated its assignment policy and held a mandatory conference call with its outside default counsel in April 2011 to review the pre-first legal action assignment policy changes and address questions posed by its outside default counsel.

A quality control oversight process focusing on a review of at least 10% of the assignments required to be executed before the filing of first legal action for compliance with the outside default counsel policy was initiated in January 2011. [REDACTED]

[REDACTED] GMACM is continuing to work with the Mortgage Servicing Companies' default counsel network on the policy adherence. GMACM also cautioned the default counsel network in April 2011 that non-compliance with the policy may result in strong punitive actions up to, and including, the dismissal of services and/or a pass-through of MERS' proposed \$10,000 fine per non-compliant foreclosure action. GMACM is also formalizing plans to address foreclosures where assignments were not completed in compliance with MERS' proposed rule change. This evaluation started in February 2011 and is in addition to the aforementioned review conducted prior to foreclosure sale.

The Mortgage Servicing Companies view the process of maintaining compliance with the assignment preparation and execution policy over such a large default counsel network as having a potential elevated inherent risk to their operations. With this in mind, the Mortgage Servicing Companies began evaluating the possibility of insourcing and/or outsourcing to a vendor (with the Mortgage Servicing Companies continuing to execute the assignments) the preparation and recording of these assignments so that the associated risks may be better controlled. The Mortgage Servicing Companies began this evaluation in May 2011 and anticipate the outcome of this analysis, which will be available by July 2011, will demonstrate if the potential elevated level of inherent risk may support the new approach. Contingent upon this conclusion, the Mortgage Servicing Companies may develop an assignment insourcing and/or vendor solution implementation plan. The Mortgage Servicing Companies would anticipate a phased-in implementation, which would start by redirecting the assignments currently prepared by non-compliant default counsel networks. While the Mortgage Servicing Companies may implement new measures in September 2011, it is recognized that there may be significant levels of investment required to hire and properly train the appropriate assignment staff which would result in a full implementation target date of November 2011; if applicable.

The Mortgage Servicing Companies are also evaluating ways to improve the tracking of its assignment activities from preparation through execution, notarization, and subsequent recordation. In the interim, manual solutions have been designed as reflected within the proposed policy and procedures; however, potential long term solutions are under evaluation with consideration of an enhancement to existing management information systems and/or entering into a third-party relationship with a company offering document tracking and reporting solutions. The Mortgage Servicing Companies began evaluating these solutions in

June 2011 and will institute an implementation plan upon completion of their review in October 2011.

The Mortgage Servicing Companies will also implement enhancements to the frequency and formality of reporting for certain transactions that require MERS System updates. An example of these enhancement activities will be the establishment of minimum required information inclusions and reporting frequencies for relevant transactions requiring communication to the MERS Team for pledging and recovery transactions. A review of this reporting began in May 2011 and will conclude by August 2011. The results of these anticipated enhancements are contemplated within the draft MERS policy and procedure documentation which the Mortgage Servicing Companies began drafting in April 2011 and will implement in October 2011.

In April 2011, the Mortgage Servicing Companies dedicated a specific employee resource with an organizational title of "MERS Relationship Manager" who is responsible for compliance with all MERS membership rules and announcements including, without limitation, monitoring for changes in MERS Requirements and compliance with the requirements of the MERS Corporate Resolution Management System. The establishment of the MERS Relationship Manager role will increase the frequency and quality of communication with MERS representatives and the employee resource is responsible for strengthening the Mortgage Servicing Companies' relationship with MERS. This employee resource also maintains authorization to attend MERS membership meetings, conferences, and other events to represent the Mortgage Servicing Companies and is responsible for coordinating the comment process for MERS proposed rules. The MERS Relationship Manager position was designed to focus on MERS risk assessment, oversight of the MERS process and to provide periodic reporting to executive management and the Board.

The Mortgage Servicing Companies also established a "MERS Council" which consists of the MERS Relationship Manager and management representatives from business units associated with or affected by MERS Requirements. This Council meets quarterly, or more frequently if necessary, to discuss proposed revisions to the MERS Requirements and other topics of interest with relevance to the MERS Requirements. The initial MERS Council meeting took place in April 2011 and the Mortgage Servicing Companies further expanded the audience in June 2011.

The Mortgage Servicing Companies are drafting a MERS quality assurance workplan to more effectively oversee key MERS transaction processing activities. The drafting process started in May 2011 and the Mortgage Servicing Companies will implement the MERS quality assurance workplan by February 2012. Included within the proposed responsibilities of the MERS quality assurance function will be, amongst other items, to test for adherence to MERS Requirements and with the requirements of the MERS Corporate Resolution Management System. Reporting will be delivered to Executive and Middle Management, Operational Risk Management, Legal, Compliance and other related parties as appropriate to ensure exceptions and planned remedial actions related to MERS Requirements and the MERS Corporate Resolution Management System are broadly communicated via the MERS Council. Further, the proposed MERS quality assurance workplan will grant the quality assurance function authority to launch action plans, as appropriate, based upon repeated or elevated levels of non-compliance.

GMACM is drafting a redesign of its data validation process to align with MERS' current and revised reporting model. This redesign process began in May 2011 and includes the potential development of new fields on the Mortgage Servicing Companies' primary servicing information system and re-development of the data feed from this information system to the MERS System. The Mortgage Servicing Companies are awaiting MERS' launch of new data reporting functionality and resolution of dialogue regarding the necessity of certain data fields to continue their redesign drafting efforts. The Mortgage Servicing Companies will implement this enhanced reporting model by September 2011 and will then engage in the process of updating the MERS information/data to align with the MERS rules. The model will expand as MERS releases more details regarding their final data formats and requirements.

MERS is also working on a proposed rule change, MERS Policy Bulletin – Number 2011-3, where Members may be under an obligation to appoint a legal point person who will be responsible for notifying MERS of certain litigation events. This rule change is still under evaluation and is being worked on by MERS. We will further evaluate the impact of this proposed rule change once MERS releases additional details and, if appropriate, further adjust the MERS policy and procedures.

Attached to this Program are copies of the following draft documents referred to in this paragraph:

- Appendix A: Draft MERS Policy
- Appendix B: Draft MERS Certifying Officer Procedure
- Appendix C: Draft MERS Governance Change Management Procedure
- Appendix D: Draft MERS Servicing Transfer Procedure
- Appendix E: Draft MERS Beneficial Interest Transfer Procedure
- Appendix F: Draft MERS Foreclosure Activity Procedure
- Appendix G: Draft MERS Bankruptcy Activity Procedure
- Appendix H: Draft MERS Recovery Procedure
- Appendix I: Draft MERS Check Endorsement Procedure
- Appendix J: Draft MERS Lien Release Procedure
- Appendix K: Draft MERS Servicing Change Management Procedure
- Appendix M: Draft MERS Warehouse Lending Procedure
- Appendix N: Draft MERS Registration Procedure
- Appendix O: Draft MERS Pledge Activity Procedure
- Appendix P: Draft MERS eNote Transaction Procedure
- Appendix Q: Draft MERS Quality Assurance Workplan

E. Consent Order Response to Section 9e

Consent Order section 9e requires:

- (e) Processes to ensure the accuracy and reliability of data reported to MERS, including monthly system-to-system reconciliations for all MERS mandatory reporting fields, and daily capture of all rejects/warnings reports associated with registrations, transfers, and status updates on open-item aging reports. Unresolved items must be maintained on open-item aging reports and tracked until resolution. The Mortgage Servicing Companies shall determine and report whether the foreclosures for loans serviced by the Mortgage Servicing Companies that are currently pending in MERS' name are accurate and how many are listed in error, and describe how and by when the data on the MERS system will be corrected;*

GMACM is performing a review of the Mortgage Servicing Companies MERS data integrity process. As a result of this review, GMACM plans to take at least the remedial actions noted in Appendix III.

As previously referenced, GMACM is drafting a redesign of its data validation process to align with MERS' current and revised reporting model. The redesign will expand to include the data fields MERS requires for validation and will identify variances requiring validation and subsequent MERS updates. This redesign project began in May 2011 and includes the potential development of new fields on the Mortgage Servicing Companies' primary servicing information system and re-development of the data feed from this information system to the MERS System. The Mortgage Servicing Companies are awaiting MERS' launch of new data reporting functionality and resolution of dialogue with MERS regarding the necessity of certain data fields to continue their redesign drafting efforts. The Mortgage Servicing Companies will implement this enhanced reporting model by September 2011 and will then engage in the process of updating the MERS information/data to align with the MERS rules. The model will expand as MERS releases more details regarding their final data formats and requirements.

GMACM is also working with its Investor Reporting department to develop a solution for validating the investors and associated Org IDs. They began this project in May 2011 and anticipate completing the validation process by October 2011 and, based on the findings, will work with MERS to incorporate the appropriate changes.

Additionally, GMACM is in the process of evaluating the additional data fields which may require reconciliation prospectively related to MERS Announcement Bulletin 2011-02, *Changes to MERS Procedures*, in preparation for transition of the current draft revisions to final and authoritative MERS Quality Assurance Procedures. The Mortgage Servicing Companies began its evaluation in April 2011 and are awaiting MERS' launch of new data reporting functionality and data files from MERS to finalize their redesign efforts. Provided MERS finalizes its requirements shortly, the Mortgage Servicing Companies will implement its reconciliation solution by October 2012. AFI recognizes that during this data validation process certain data fields were and will be identified as requiring update due to either changes in allowable MERS practices or the existence of previously inaccurate data. The revised system-to-system reconciliation process will allow for the identification of these

items which will be corrected within the MERS System. This revised reconciliation solution is an expansion of an existing database that we are in the process of enhancing to include additional data fields and enhance the data variance analysis. GMACM anticipates working directly with MERS to execute these system updates in a manner that would prevent inaccurate or unnecessary generation of communication to underlying borrowers.

In March 2011, GMACM also began reviewing the use of the daily capture MERS reject/warnings reports associated with registrations, transfers, and status updates. After this review began, it was discovered that these reports were created significantly through manual interaction. Automated solutions are required to enhance the audit trail and operational effectiveness of the exception reporting. GMACM has undertaken a project to begin evaluating automation solutions to the day-to-day processing activities; however, in the interim, it will continue to evaluate exception reporting in the current state environment. GMACM will complete its evaluation in October 2011.

GMACM initiated a detailed review of its foreclosure reporting process and the interaction of the Mortgage Servicing Companies' MERS Team and Foreclosure department. This process began in the spring resulting in proposing certain enhancements and incorporating them in the draft MERS foreclosure procedures. These procedures will be fully implemented by October 2011. GMACM is also reviewing and streamlining the reporting process from the Foreclosure department related to assignment execution and recordation. The foreclosure status field on the MERS System has historically been based upon the corresponding loan foreclosure status on the Mortgage Servicing Companies management information systems. MERS recently informed its Members that they are removing the use of this foreclosure status field on the MERS System.

Also, as a result of the new reporting between the MERS Team and Foreclosure department, the MERS Team began updating the MERS System to deactivate loans that were in foreclosure and had an executed assignment. During this process, which began in April and concluded in June, the MERS Team updated the MERS System with the required assignment details.

Attached to this Program are copies of the following draft documents referred to in this section:

- Appendix A: Draft MERS Policy
- Appendix F: Draft MERS Foreclosure Activity Procedure
- Appendix L: Draft MERS Data Reconciliation Procedure

F. Consent Order Response to Section 9f

Consent Order section 9f requires:

(f) An appropriate MERS quality assurance workplan, which clearly describes all tests, test frequency, sampling methods, responsible parties, and the expected process for open-item follow-up, and includes an annual independent test of the control structure of the system-to-system reconciliation process, the reject/warning error correction process, and adherence to the MERS Plan; and

GMACM is performing a review of MERS' Quality Assurance Procedure Manual. As a result of this review, GMACM plans to take at least the remedial actions noted in Appendix III.

GMACM is performing a review of the existing control procedures in place and intends to provide oversight over its MERS activities performed by the Mortgage Servicing Companies. As a result of the review, an appropriate MERS quality assurance workplan was drafted in May 2011 to enhance the Mortgage Servicing Companies' existing coverage over key MERS transaction processing activities and to meet the requirements of the MERS Quality Assurance Procedures Manual. This workplan will be implemented by February 2012.

This draft workplan is proposed to formalize certain key considerations of quality control including, but not limited to:

- Department objective;
- Sampling methodology;
- Loan review procedures and testing templates;
- Reporting;
- Action plans; and
- Training

The draft quality assurance workplan includes items such as an annual independent test of the control structure of the system-to-system reconciliation, the reject / warning error correction process, and adherence to the policies and procedures produced through the development of the Program. This workplan will effectively meet the terms of the membership rules of MERS and the Mortgage Servicing Companies' risk-based objectives.

The proposed development of a more robust quality assurance function will also require significant resource investment by the Mortgage Servicing Companies. A staffing model is currently being developed to estimate the required resource commitment necessary to meet the periodic testing requirements. It is anticipated that the Mortgage Servicing Companies would need to increase the staffing of the quality assurance function and identify resources with sufficient understanding of the MERS process to execute the MERS quality assurance workplan. As mentioned previously, the quality assurance workplan remains under development and the Mortgage Servicing Companies will implement the MERS quality assurance workplan by February 2012.

Attached to this Program are copies of the following draft documents referred to in this section:

- Appendix A: Draft MERS Policy
- Appendix Q: Draft MERS Quality Assurance Workplan

G. Consent Order Response to Section 9g

Consent Order section 9g requires:

- (g) *Inclusion of MERS in the Mortgage Servicing Companies' third-party vendor management process, which shall include a detailed analysis of potential*

vulnerabilities, including information security, business continuity, and vendor viability assessments.

GMACM is performing a review of the Mortgage Servicing Companies' third-party vendor management process and will begin adopting its new Supplier policies and procedures by February 2012. As a result of this review, GMACM plans to at least take the remedial actions noted in Appendix III.

GMACM was required to submit proposed policies and procedures in relation to Order Item 6: *Third Party Management*. MERS, as a third-party provider, is included within the scope of revised Third Party Management policies and procedures, which includes performance of detailed analyses of potential vulnerabilities, including information security and vendor viability assessments.

Due to the unique nature and related complexities of the MERS relationship and the industry's reliance on MERS, the Mortgage Servicing Companies previously evaluated and in May re-evaluated, but did not identify, an adequate 3rd party replacement for MERS as a business continuity/contingency measure. If required, a prospective cessation of the Mortgage Servicing Companies' use of MERS would likely result in significant operational and financial burdens. Operational changes such as adjusting origination documents, origination workflow, lending and servicing platforms, post-closing assignment workflow and servicing sale/transfer workflow would likely result. And, if the Mortgage Servicing Companies initiated efforts to assign existing MERS loans/servicing out of MERS' name, they would likely do so based on a priority queue considering characteristics such as default curves/roll-forward forecasts and projected local recording office recordation timeframes. Such measures would not only impact the Mortgage Servicing Companies, but would also negatively impact:

- Consumer pricing;
- The timeliness of recordation in local recording offices which could extend the recording timeline by more than a year; and
- Foreclosure and bankruptcy proceedings which could realize unforeseen implications.

Summary / Conclusion

GMACM is performing a MERS review and produced this Program to improve the use of MERS throughout the Mortgage Servicing Companies. The implementation of MERS policies and procedures, a MERS Quality Assurance Workplan, a strengthened MERS data validation tool, MERS in the Third Party Management Program and the addition of some administrative measures will provide for additional control and will help to mitigate the Mortgage Servicing Companies' risk profile related to the use of MERS. The Mortgage Servicing Companies, consistent with practices for other established policies and procedures, will periodically review and revise its MERS policy, procedure and quality workplan documents as appropriate, but no less frequently than annually, based upon changes to the operational execution of certain MERS-related tasks or to the MERS Requirements. Furthermore, we anticipate MERS will issue additional rule changes, further refinements to

proposed rule changes in the queue and potential changes to MERS' business model based on its consent order responses.

The timelines expressed throughout this Program are subject to refinement based on MERS' proposed rule changes, new changes proposed by MERS, the outcome of the enterprise-wide compliance program approval (Order section 7), risk assessment program recommendation and subsequent approval (Order section 12) and enterprise risk management program approval (Order section 14).

Appendix I - Project Summaries

Below is a summary of the projects that support the Program:

Action Plans:

- 1. Implement a risk framework**
- 2. Implement the policies and procedures**

Draft Policies, Procedures and Quality Assurance Workplan Documents:

Appendix A: Draft MERS Policy

Appendix B: Draft MERS Certifying Officer Procedure

Appendix C: Draft MERS Governance Change Management Procedure

Appendix D: Draft MERS Servicing Transfer Procedure

Appendix E: Draft MERS Beneficial Interest Transfer Procedure

Appendix F: Draft MERS Foreclosure Activity Procedure

Appendix G: Draft MERS Bankruptcy Activity Procedure

Appendix H: Draft MERS Recovery Procedure

Appendix I: Draft MERS Check Endorsement Procedure

Appendix J: Draft MERS Lien Release Procedure

Appendix K: Draft MERS Servicing Change Management Procedure

Appendix L: Draft MERS Data Reconciliation Procedure

Appendix M: Draft MERS Warehouse Lending Procedure

Appendix N: Draft MERS Registration Procedure

Appendix O: Draft MERS Pledge Activity Procedure

Appendix P: Draft MERS eNote Transaction Procedure

Appendix Q: Draft MERS Quality Assurance Workplan

Appendix II - Board Level Deliverables and Due Dates

NA

Appendix III - First Level Project Details

Deliverable	CO Section	Task	Owner	Projected Start Date	Projected Finish Date
MERS Document Execution	Multiple	Conduct an initial review of document signers	MERS Relat Mgr.	3/31/11	5/01/11
MERS Relationship Manager	9(d)	Establish MERS Relationship Manager	Executive Mgmt	3/01/11	4/01/11
MERS' proposed foreclosure and bankruptcy policy adherence	9(d)	Implement punitive action plans against default counsel that are [REDACTED] with assignment foreclosure and bankruptcy policy	Legal / Operations	4/01/11	4/21/11
MERS QC	Multiple	Implement a quality control oversight process on a review of 10% of the assignments required to be executed before the filing of first legal foreclosure activities and alignment with the pre-first legal foreclosure assignment policy	QC	1/15/11	5/30/11
Cease MERS-related Lien Release Execution Outsourcing Activity	9(b)	Develop and execute plan to bring MERS-related lien release execution process in-house	MERS Relat Mgr., Servicing	4/01/11	5/18/11
MERS Council	9(d)	Establish MERS Council	MERS Relat Mgr.	4/16/11	6/30/11
MERS' proposed foreclosure and bankruptcy policy adherence	9(d)	Continue working with default counsel network on assignment foreclosure and bankruptcy policy adherence	Legal / Operations	11/01/10	12/31/11
MERS' proposed foreclosure and bankruptcy policy adherence	9(d)	Formalize plans to address pre-foreclosure sale loans [REDACTED] [REDACTED] MERS' policy	Servicing	2/15/11	12/31/11

Deliverable	CO Section	Task	Owner	Projected Start Date	Projected Finish Date
Validate and re-issue Corporate Resolutions	Multiple	Perform review to validate that certifying officers meet minimum MERS requirements and all employees performing applicable duties have been approved as a MERS Certifying Officer	MERS Relat Mgr.	4/01/11	9/1/11
MERS Document Execution	Multiple	Complete the review of document signers	MERS Relat Mgr.	4/15/11	9/01/11
Review Org ID	9(c)	Review organizational IDs and associated Corporate Resolutions	MERS Relat Mgr.	4/01/11	9/01/11
Assignment Insourcing	9(d)	Evaluate insourcing and/or other centralized vendor solution of default counsel network assignment preparation and recording	Legal, MERS Relat Mgr.	5/01/11	7/31/11
Enhance data validation process	9(e)	Work with Investor Reporting department to develop a solution for validating the investors and associated Org IDs.	MERS Relat Mgr.	5/01/11	10/01/11
Develop new transaction reporting	9(d)	Enhance existing reporting of pledging activities and recovery sales to ensure timely update of the MERS System	MERS Relat Mgr.	5/15/11	8/31/11
Reconciliation	Multiple	Conduct review of daily capture report output	MERS Relat Mgr.	3/01/11	10/01/11
Assignment Tracking Tool	9(a)	Implement interim assignment tracking tool and develop preferred long-term organization solution	MERS Relat Mgr., IT	Short Term Solution: 4/15/11 Long Term Solution Evaluation: 6/01/11 Long Term Solution Implementation: 10/01/11	Short Term Solution: 6/30/11 Long Term Solution Evaluation: 10/01/11 Long Term Solution Implementation: 3/31/12
MERS Policy	Multiple	Finish drafting and implement the MERS policy	MERS Relat Mgr.	4/01/11	10/01/11
MERS Procedures	Multiple	Finish drafting and implement the MERS procedures	MERS Relat Mgr.	4/01/11	10/01/11
Enhance data validation model	Multiple	Introduction of an enhanced MERS data validation model	MERS Relat Mgr.	4/15/11	9/23/11
Reconciliation	Multiple	Evaluate additional data fields required by MERS for reconciliation process and implement the enhanced MERS data validation solution	MERS Relat Mgr.	4/15/11	10/01/12

Deliverable	CO Section	Task	Owner	Projected Start Date	Projected Finish Date
Assignment Insourcing	9(d)	If applicable, implement insourcing and/or other centralized vendor solution of default counsel network assignment preparation and recording	Legal	Not Applicable	Not Applicable
3 rd Party Vendor Management	9(g)	Inclusion of MERS in the Mortgage Servicing Companies' third-party vendor management process	MERS Relat Mgr.	10/31/11	2/01/12
Implement quality assurance workplan	Multiple	Finish drafting and implement the MERS Quality Assurance working plan and associated staffing and the initiation of testing cycles.	Risk	5/01/11	2/01/12