

Article Title: ARCHIVE | Legal Criteria: New Perfection Criteria for Residential Mortgage and Home Equity Loan Transactions Data: On July 1, a substantially revised version of Article 9 of the Uniform Commercial Code will become effective in approximately 45 states. One of the more significant revisions to Article 9 is that sales of loans evidenced by promissory notes, previously not covered by Article 9, are now governed by revised Article 9 and are entitled to its automatic perfection provision. Another major revision permits the filing of a financing statement to perfect a pledge of loans evidenced by promissory notes. Under current Article 9, delivery of the notes to the secured party, its agent, or custodian is required to perfect a pledge of loans evidenced by promissory notes. New Criteria for Perfection in Mortgage Notes Effective July 1, 2001, Standard & Poor's will rely on the automatic perfection provision of Revised Article 9 for the perfection of sales of mortgage notes in residential mortgage and home equity structured transactions; provided that, in accordance with existing criteria, Standard & Poor's receives a true sale opinion for each sale. For pledges of mortgage notes in these transactions, Standard & Poor's will accept filing as a method of perfection. Delivery of the mortgage notes to the secured party remains an option.* For transfers characterized as a pledge, rather than as a sale, Standard & Poor's will request that certain representations and warranties be included in the documentation regarding the pledge of the loans. Parties should refer to Standard & Poor's new criteria relating to Revised Article 9 that can be found on Standard & Poor's homepage at www.standardandpoors.com. (Click on Resource Center; then go to Ratings Criteria and Structured Finance; the criteria can be found in the Legal section.) New Criteria Relating to Recordation Currently, Standard & Poor's requires the recordation of mortgage assignments (or the provision of a nonrecordation opinion) for properties located in five states: Florida, Maryland, Mississippi, South Carolina, and Tennessee. Under revised Article 9, a security interest in a mortgage note automatically carries with it the benefits of the security interest created by the mortgage on the underlying property. Accordingly, effective July 1, 2001, Standard & Poor's will no longer require recordation of mortgage assignments located in Maryland, South Carolina, or Tennessee, as these states have enacted Revised Article 9. Upon revised Article 9 becoming effective in each of Florida and Mississippi (January 1, 2002), Standard & Poor's will eliminate the recordation requirements for properties located in such states as well. *Due to the fact that revised Article 9 will not be effective in all states as of July 1, 2001, all transactions may not be able to benefit from the automatic perfection or filing provisions of Revised Article 9. Standard & Poor's will rely on transaction counsel to determine whether reliance on the provisions of Revised Article 9 is appropriate by taking into account the applicable choice of law rules.