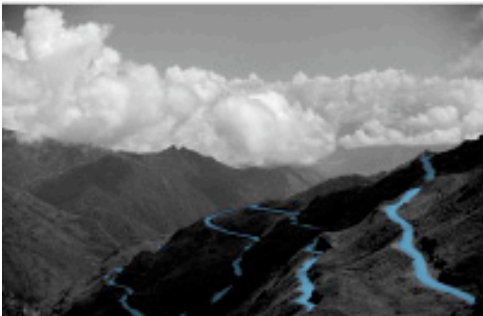


IMPLEMENTING AUTOMATED TOOLS

BY: TRICIA LINDSAY

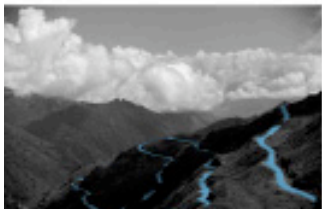


A NEW SHADE OF BLUE CHIP™

IMPLEMENTING AUTOMATED TOOLS

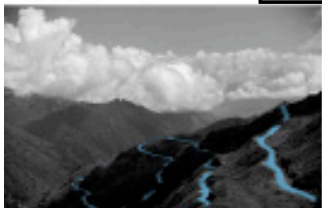
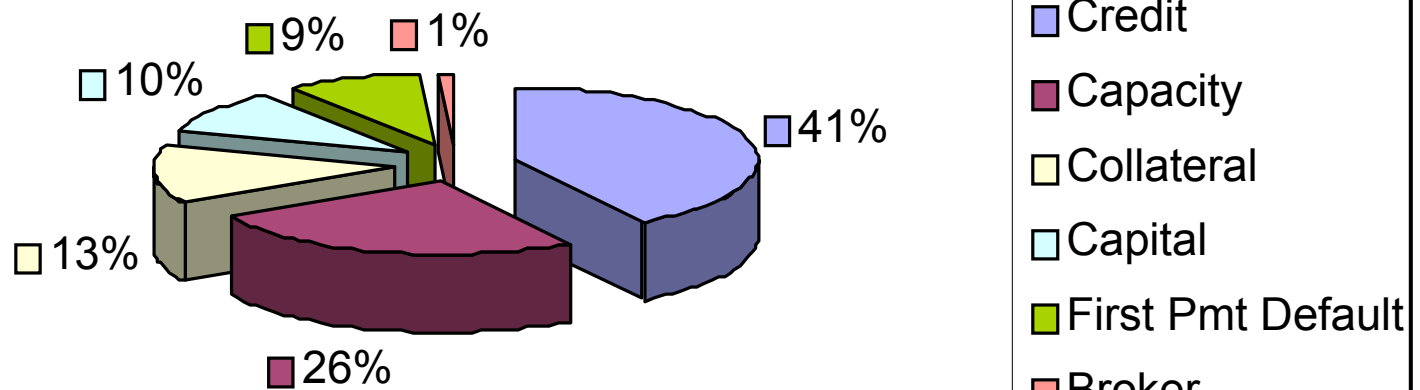
Assessing your needs

- **What is your objective?**
 - Improvement of existing system(s) or
 - Transformational
- **Which areas have the most problems?**
 - Where are you now?
 - Where do you want to be?



Initial Assessment

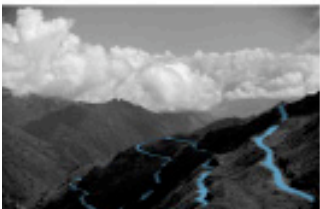
TYPES OF FRAUD



Defining a Fraud Predictive Analytics Scoring Tool

How exactly does a Predictive Analytics Fraud Scoring tool Work?

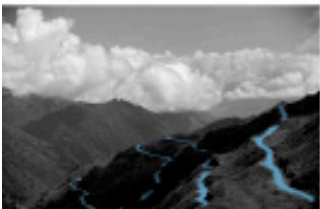
- A predictive analytics model is built using historical patterns of the Lender's good and bad loans, and the behavioral trends of applicants, brokers, appraisers, loan programs, etc.
- During the underwriting process, the scoring model will assigned a score indicating the risk level of the loan for misrepresentation.
- Scoring model output typically includes a set of risk indicators to help risk managers focus on application factors that are the most likely area (s) of potential risk.
- The Lender selects the highest risk loans that will require review from their risk managers
- Performance can be tracked at the score and loan level to determine if the model is performing within specifications.



Benefits of Using a Predictive Analytics Fraud Scoring Tool

Why is a Fraud Scoring tool is an effective Risk Management tool?

- It is an effective tool in reducing fraud losses
- It reduces production costs by targeting the highest risk loans for review
- Fraud Scoring can be customized to an individual lender's needs
- It uses internal data versus 3rd party data, thus reducing the cost to the lender
- Applications can be scored in Real-time during the underwriting process



Testing a Fraud Scoring Tool

How is functionality testing completed for a fraud scoring tool?

The functionality of sending an input file to the scoring model, effectively generating the scores and producing the output for Risk Management group is tested in an end-to-end testing process for the specific production environment used at the lender.

Key Functionality Testing Components:

- All applicable loans are being scored
- The Scores are being assigned correctly
- High Risk Loans are Flagged for Review
- The Output is produced for Risk Review
- Risk Indicators are assigned to scored loans

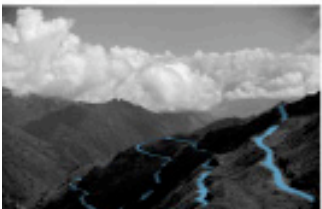
Sample Loan Testing Output :

871

Likely Misrepresentation Type:

INCOME MISREP

Loan Number:	1234567889
Borrower:	Al Jones
Address:	123 Main
City:	Lender City
State:	CA
CLTV	100%
Loan Type:	Purchase
Income:	\$180,000
Employer:	Al's Landscape



Measuring the Results of a Fraud Scoring Tool

How are the Results/Success of a fraud scoring tool measured?

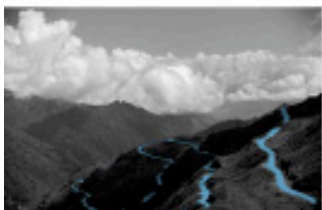
A fraud scoring tool allows the lender to measure several key Risk Management and Production metrics to help evaluate the efficiency and effectiveness of the risk strategy and operations groups. A predictive analytics scoring model is designed to reduce the number of loans required for review while increasing the number of loans with misrepresentation detected.

Sample Key Metrics:

- Total Loan Submissions for the reporting month (#)
- Total Loans Flagged by the Model for Review (# / %)
- Total Loans Declined with Misrepresentation (# / \$)
- The Rate of Misrep Loans Flagged by the model (%)

Sample Reporting Data:

Area	Scoring Tool					
	Loans for Review			Confirmed Misrep		
	Total Applications (#)	Loans Flagged (#)	% of Apps Flagged	Total # Misrep Prevented	Total \$ Misrep Prevented	Rate of Misrep / Suspicious (#)
Manager 1	5,375	245	4.6%	18	\$ 10,888,413	7.3%
Manager 2	4,570	279	6.1%	73	\$ 41,543,880	26.2%
Manager 3	6,840	136	2.0%	15	\$ 8,234,500	11.0%
Manager 4	5,893	76	1.3%	13	\$ 3,297,800	17.1%
Manager 5	5,256	136	2.6%	16	\$ 8,077,250	11.8%
Manager 6	6,138	123	2.0%	20	\$ 7,661,863	16.3%
Totals	34,072	995	2.9%	155	\$ 79,703,705	15.6%



Forecasting Production Results using a Fraud Scoring Tool

How can a Fraud Scoring tool be used as a forecasting tool in production?

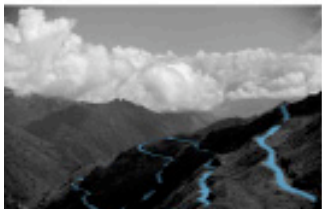
Using a fraud scoring tool allows Management to increase forecasting accuracy for key production and risk prevention metrics. Using historical data, Risk Management is able to set a score threshold to accurately determine the percent of loans that will be flagged for review. This allows for much greater accuracy in forecasting work volumes and FTE Requirements. Also, by using historical rates of misrep, accurate forecasts can be completed for preventing misrepresented loans.

Forecasting Metrics using a Scoring Tool:

- Forecasted loans for Risk Management Review
- Forecasted FTE Requirements for Risk Loans
- Forecasted Prevented Misrep Loans (# / \$)
- Forecasted Fraud Misrep Detection Rate

Sample Forecasting :

	Scoring Tool (Forecasting)						
	Volume Forecasts				Misrep Forecast		
	Forecasted Loan Flag Rate	Forecasted Applications	Forecasted # of Loans Flagged	Forecasted FTE Requirements	Forecasted Rate of Misrep	Forecasted Confirmed Misrep (#)	Forecasted Confirmed Misrep (\$)
Month 1	3.0%	34,567	1,037	6	10.0%	104	19,184,685
Month 2	3.0%	32,469	974	6	10.0%	97	18,020,295
Month 3	3.0%	38,576	1,157	7	10.0%	116	21,409,680
Month 4	3.0%	32,174	965	5	10.0%	97	17,856,570
Month 5	3.0%	37,698	1,131	6	10.0%	113	20,922,390
Month 6	3.0%	41,000	1,230	7	10.0%	123	22,755,000
Totals	4.5%	216,484	6,495	6	10.0%	649	\$ 120,148,620

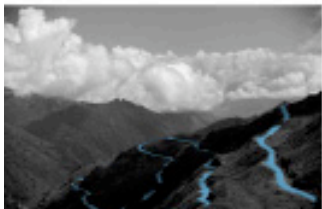


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Ⓜ How do I get Executive Sponsorship?

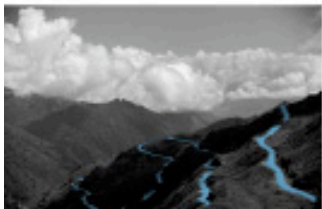
– Show the benefit

- Financial
- Non-Financial



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Questions and Answers





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