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Testing Automated Tools

Susan Allen



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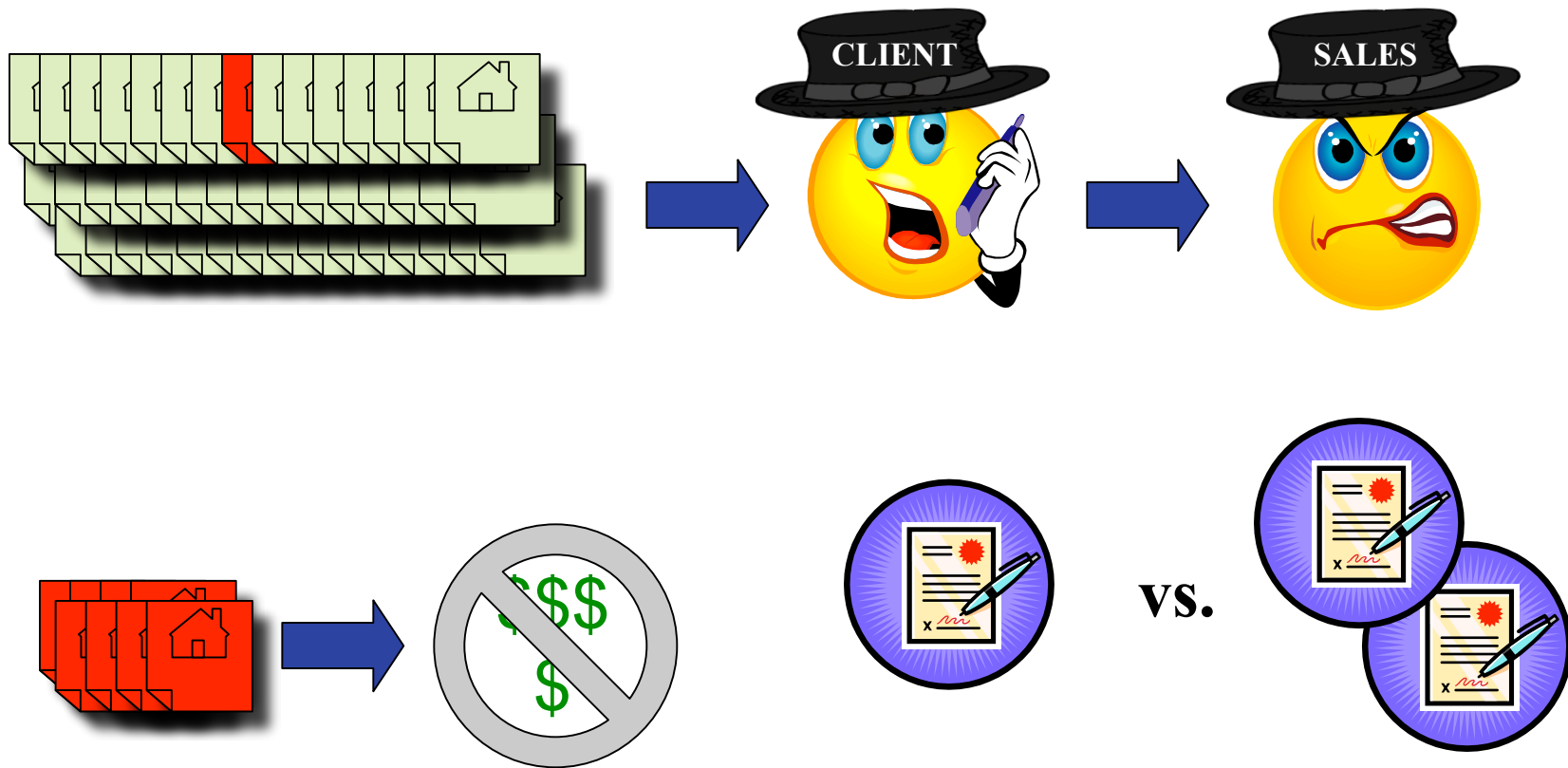
In the presentation that follows and in related comments by GMAC-RFC's management, our use of the words "expect", "anticipate", "project", "estimate", "forecast", "objective", "plan", "goal", "outlook", "target", "pursue" and similar expressions is intended to identify forward looking statements.

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Agenda

- Recent GMAC-RFC implementation of enhanced collateral quality scoring solution
 - Defining the business need
 - Testing available products
 - Creating the cost/benefit analysis
 - Tracking performance
 - Lessons Learned

Defining the Business Need



Defining the Business Need

- Goal 1: Optimize appraisal diligence queue
 - No change to diligence process
- Goal 2: Provide backup or ensure system availability
- Goal 3: How else can we leverage collateral risk tools?
 - AVM Programs
 - Portfolio Management
 - Servicing
 - Trading

Testing Available Products

- Test with the end in sight
 - Create the cost benefit analysis framework first, then structure the test to fill in the blanks
 - Carefully consider predictions about future fraud losses
 - Understand executive management perspective
- Test requirements:
 - Sufficient data to draw conclusions (25,000 records)
 - Views for confirmed fraud and recent activity
 - Data for different products and geographies

Testing Available Products

- Test set – 25,000 records
 - All confirmed fraud for two years, regardless of loss
 - All EPD's for most recent six months
 - Random “plus” sample of performing loans
 - AVMs and artificially inflated AVMs
- Test requirements
 - Vendor must support retro-scoring
 - Vendor must have robust technical delivery
 - Low/no-cost testing

Testing Available Products

- Test results (hypothetical) – Assume current model is Model A and current review volume is 5%

Review Volume	Model A Detection	Model B Detection	Combined Detection
1%	25%	30%	35%
2%	29%	35%	47%
5%	35%	47%	55%
10%	57%	60%	62%

- Is it worth switching tools to catch 12% more fraud, or using both tools to catch 20% more fraud?
- Is it worth switching tools to review 3% less volume, or using both tools to review 4% less volume?

Creating the Cost/Benefit Analysis

Implementation (\$
50,000)

Subscription (\$
100,000)

Total Cost (\$
150,000)

Incremental Fraud Detection
20 cases @ \$50,000 loss/case
\$1,000,000

Net business value \$
850,000

Tracking Performance

- Improvements in false-positive rates
- For multiple-tool solution, count coverage during downtime
- Note fraud cases the new tool caught that the incumbent tool did not
- Feedback from fraud operations team

Lessons Learned

- Executive sponsorship is crucial
- Consider monitoring needs up front and design into the system
- Anticipate how you will combine tools
- Consider pulling all scores for a period of time to facilitate analysis
- Provide data to vendors to improve the quality of models

Contact Information

Susan Allen
Director, Collateral Risk Management
GMAC-RFC
susan.allen@gmacrfc.com
952-857-6528