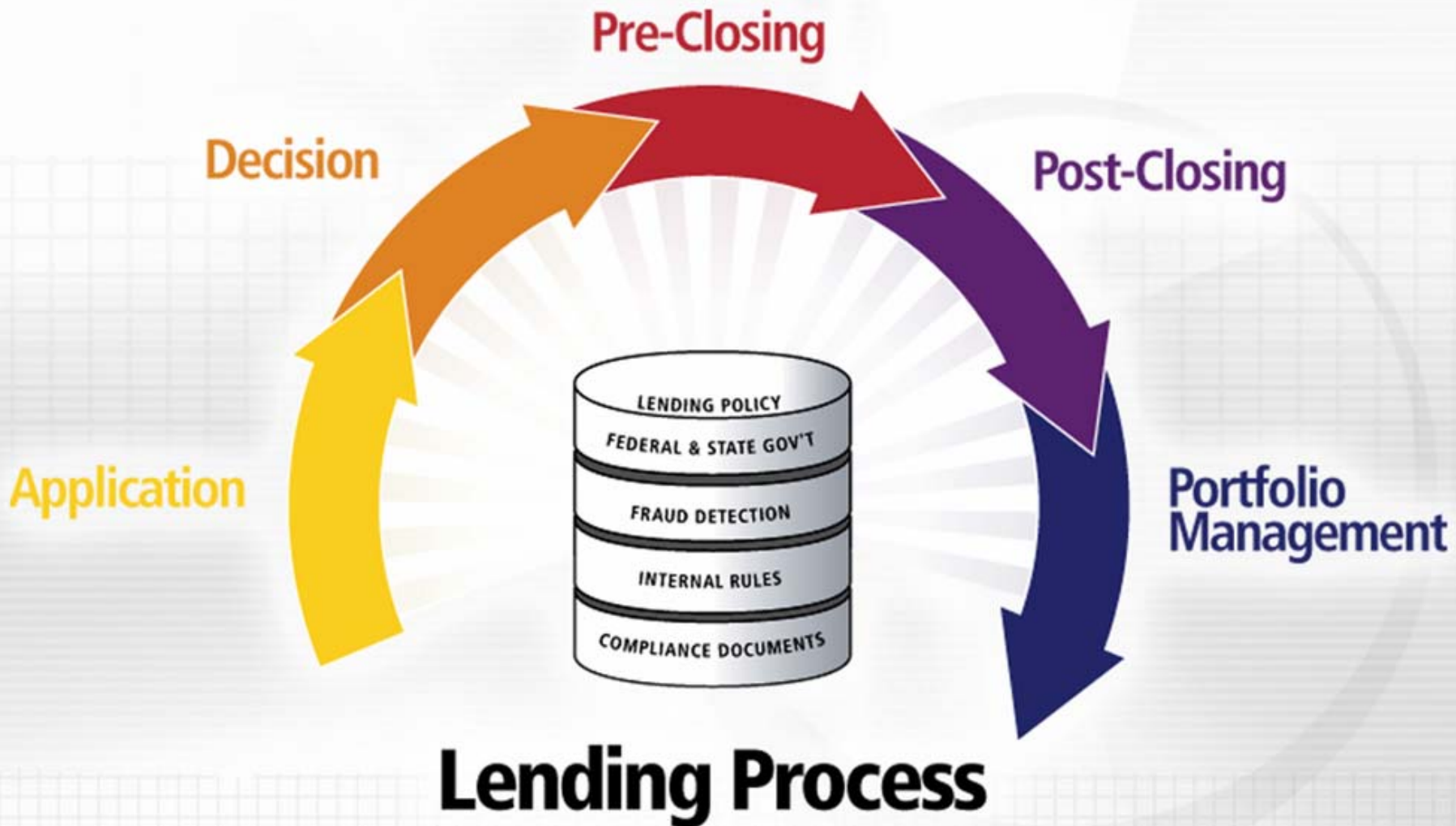


Strategic Compliance Management

- Embed compliance in business processes
- Compliance engines apply rules based on mortgage compliance knowledge consistently to every loan in seconds
- Shift the emphasis from reactive to proactive compliance controls
- Enhance compliance culture by having the business units accountable while maintaining responsibility.
- Justify IT spend for regulatory purpose other than on basis of simple return on investment calculation.

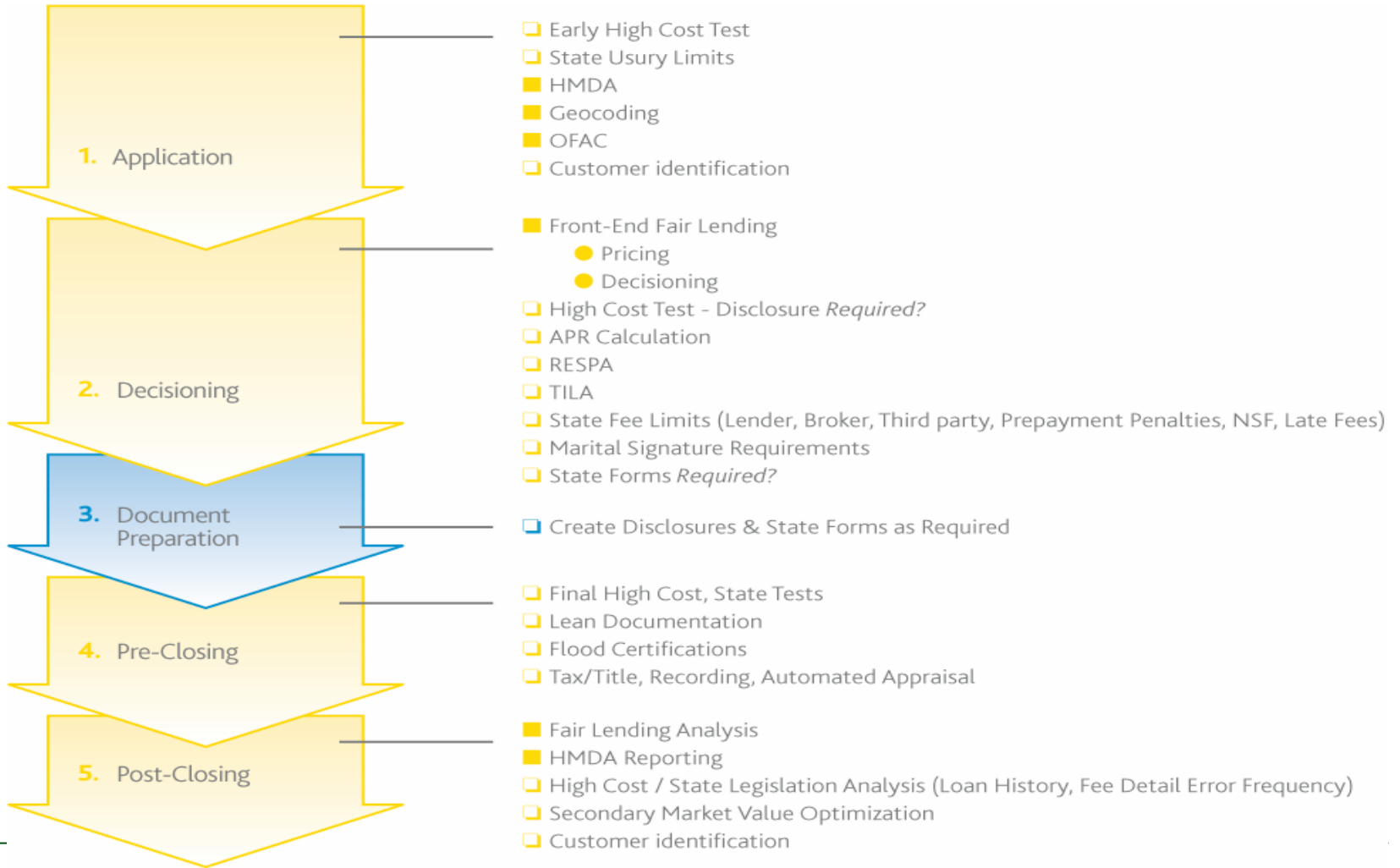
Technology Advances

- Service-Oriented Architecture (SOAs)
 - » Web services (xml data transfer)
 - » Called in support of existing workflow
 - » Transparent to the user
- Opportunities for Compliance Automation
 - » Geocoding
 - » HMDA Management (FFIEC Edits, Rate Spread)
 - » Fair Lending (Pricing, Decision)
 - » Broker Risk Management
 - » Anti-Predatory Lending
 - » State Legislation (Usury, Fee Limits)
 - » Flood Determinations, Life of Loan
 - » Settlement Services (AVM, Title)
 - » Mortgage Fraud Compliance
 - » Anti-Money Laundering



Update on Industry Technology

Legal developments and the road to e-mortgages



HMDA Cost Analysis

Calculating the Cost of Scrubbing Home Mortgage Disclosure Act (HMDA) Data

Number of Applications (n)	100,000	Number of Applications (n)	100,000
Error Rate (e)	15%	Error Rate (e)	5%
Applications to scrub	15,000	Applications to scrub	5,000
Minutes per application (m)	45	Minutes per application (m)	10
Total man hours	11,250	Total man hours	833
FTE Cost - Fully loaded ©	60,000	FTE Cost - Fully loaded ©	60,000
Total Manpower cost to scrub HMDA	\$ 337,500	Total Manpower cost to scrub HMDA	\$ 25,000

Benefits of Automated Tools

- Leverage technology to facilitate business processes
- Operational Efficiency
 - » Consistently apply limits, rules, and filters in support of workflow
 - Regulatory limits
 - Lender specific rules
 - Investor requirements
 - » Reduces human error/misinterpretations
 - » Highlights training issues
- Reinforce good conventional compliance practices
- Increase data accuracy, increased access to data for real-time reporting

Advantages of Compliance Automation

- Cost effective
- Easily adaptable
- Optimize Loan Pool
 - » Reduce cost to correct potential compliance problems identified prior to closing
 - » Proactively ensures regulatory and secondary market requirements are met
 - Stricter GSE and investor requirements
 - Limits on fees (5% threshold)
 - Exotic loan product requirements
 - Increased focus on third party lending
 - › Increased Broker scrutiny
 - › Correspondents
 - Product suitability
 - Assignee liability