



Fraud Prevention and Detection



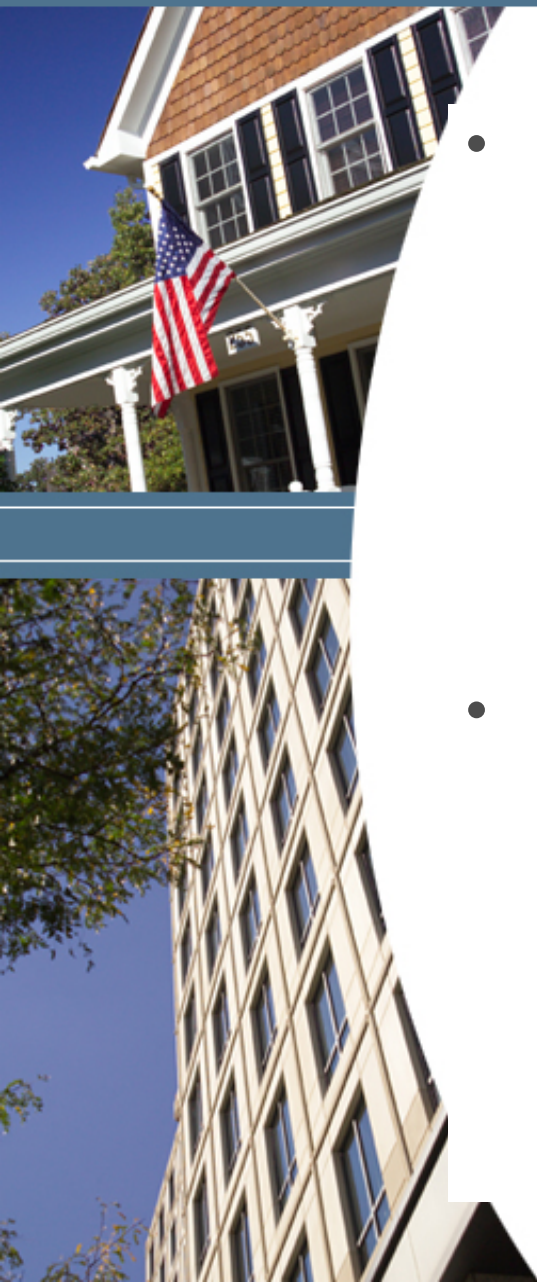
**MBA Underwriting Conference
November 2007**

Anthony N. Romano III
Executive Vice President

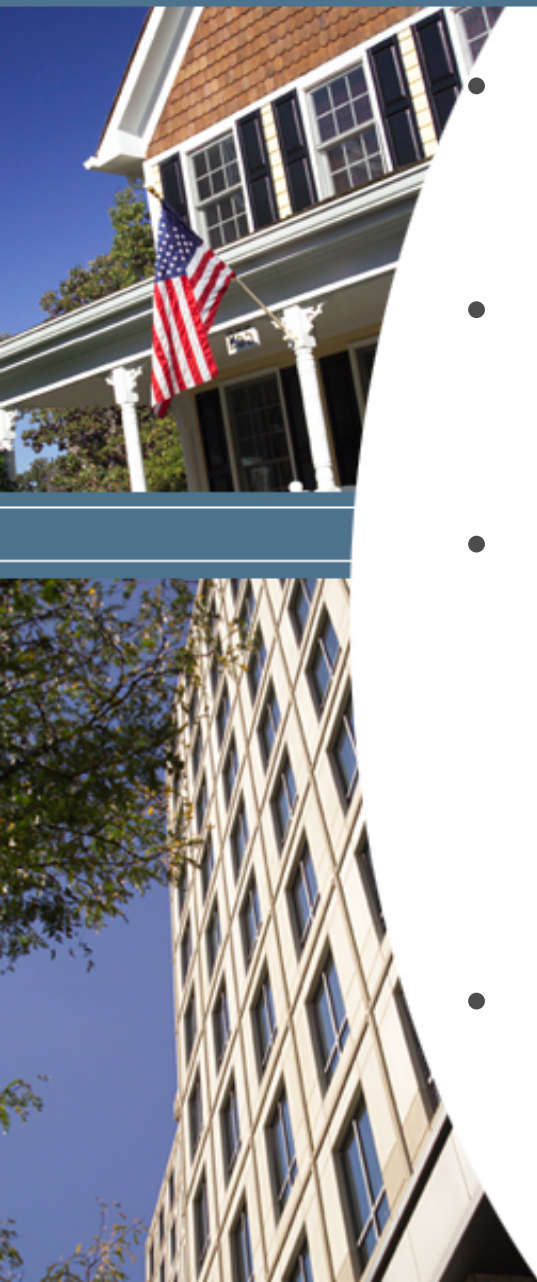


First American
CORELOGIC

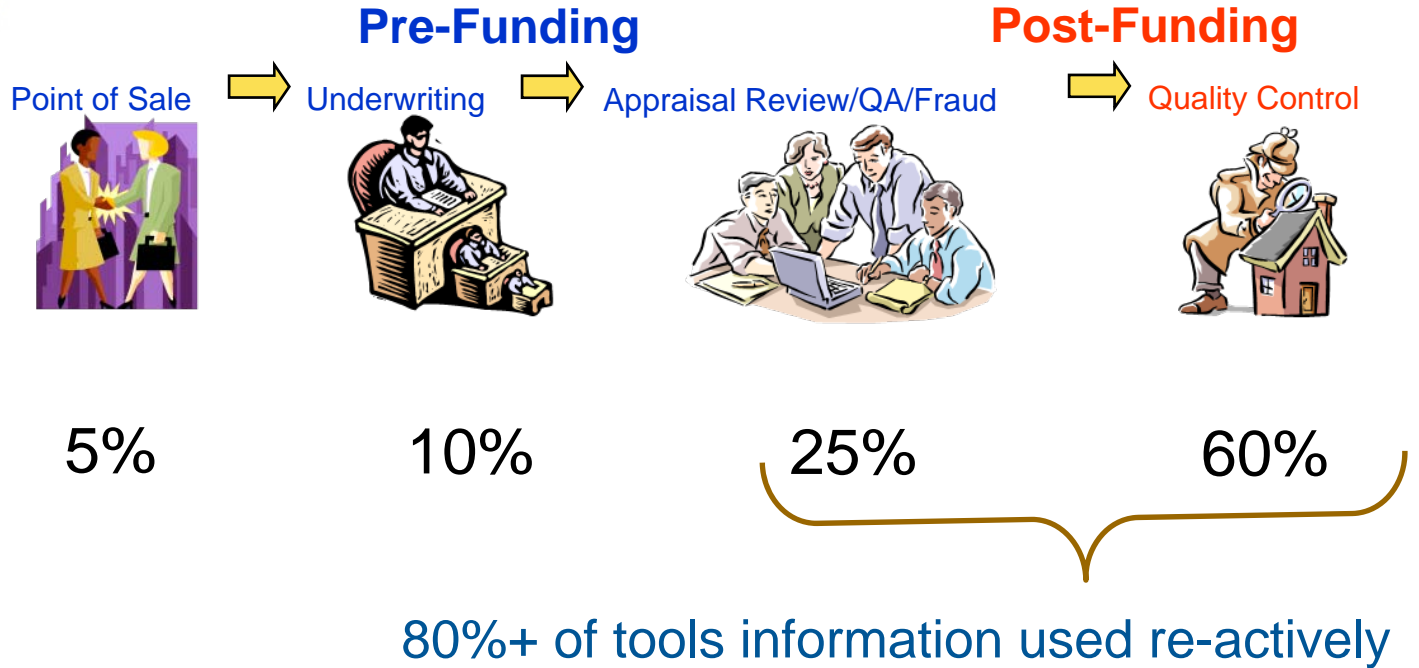
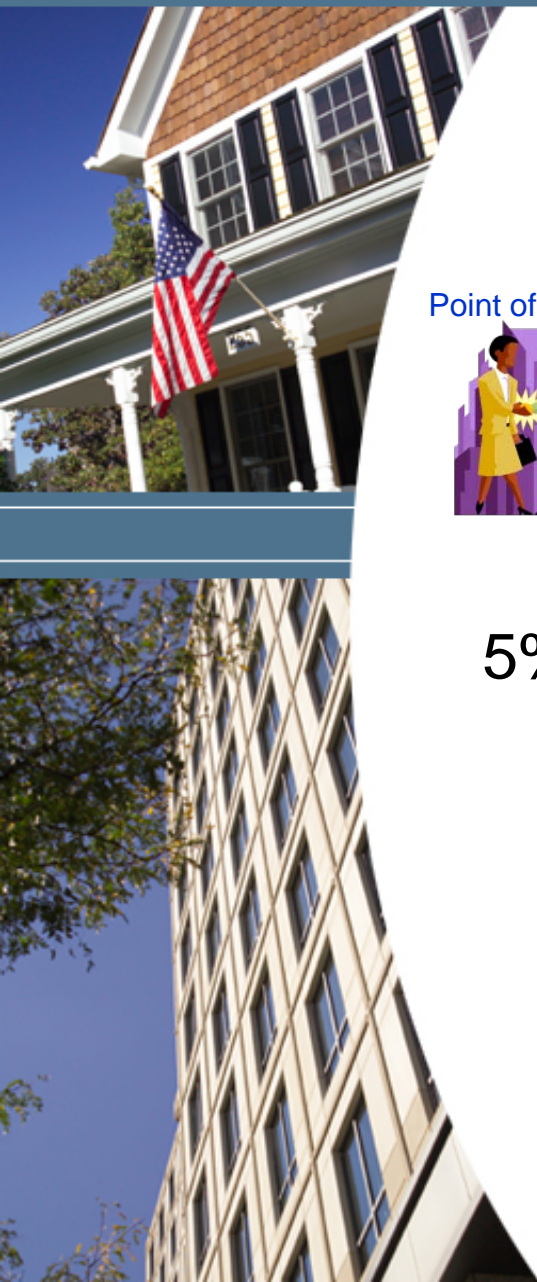
Your Program Needs Fraud Detection & Deterrents

- 
- **“Freakonomics” – Steven Levit**
 - » Dramatic crime reduction – 10 possible theories explored for reduction during the 1990’s
 - Two leading arguments were increased police officers and much harsher sentencing
 - Neither was about crime caught rate: both were **deterrents**
 - **Implementing a holistic fraud and risk management platform is a critical fraud deterrence mechanism:**
 - » When you condition files – the channel realizes you no longer accept pushed incomes, 30% over valued refinances, non-owner occupant fraud, flipping, and multi-lien schemes

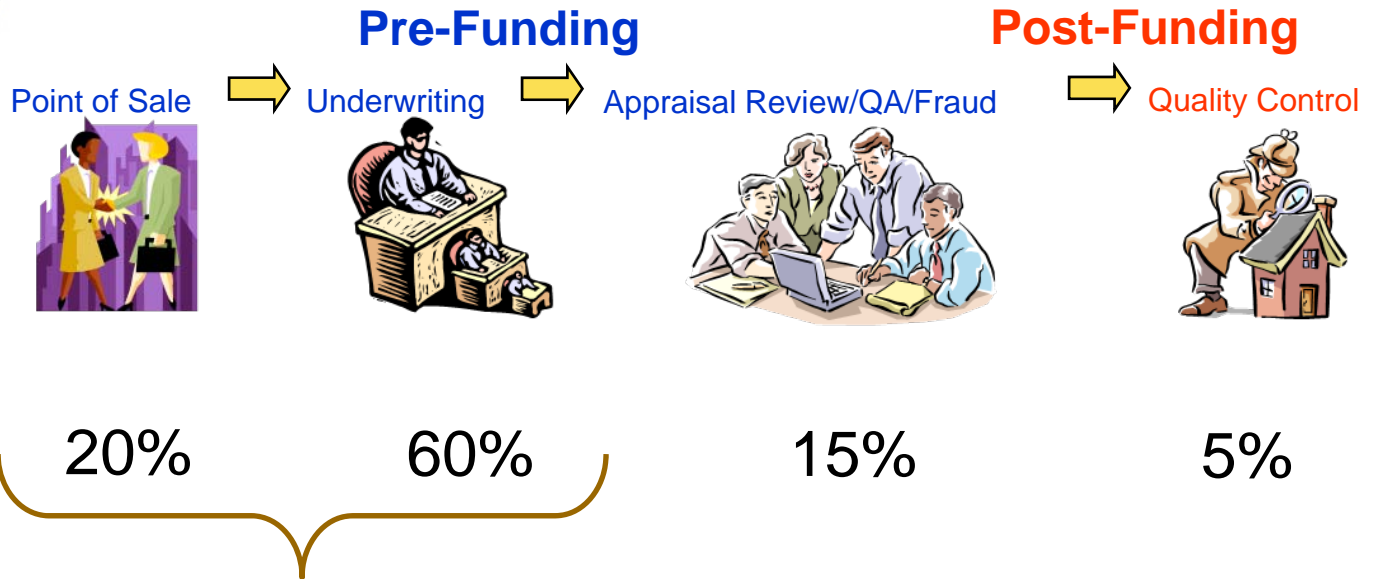
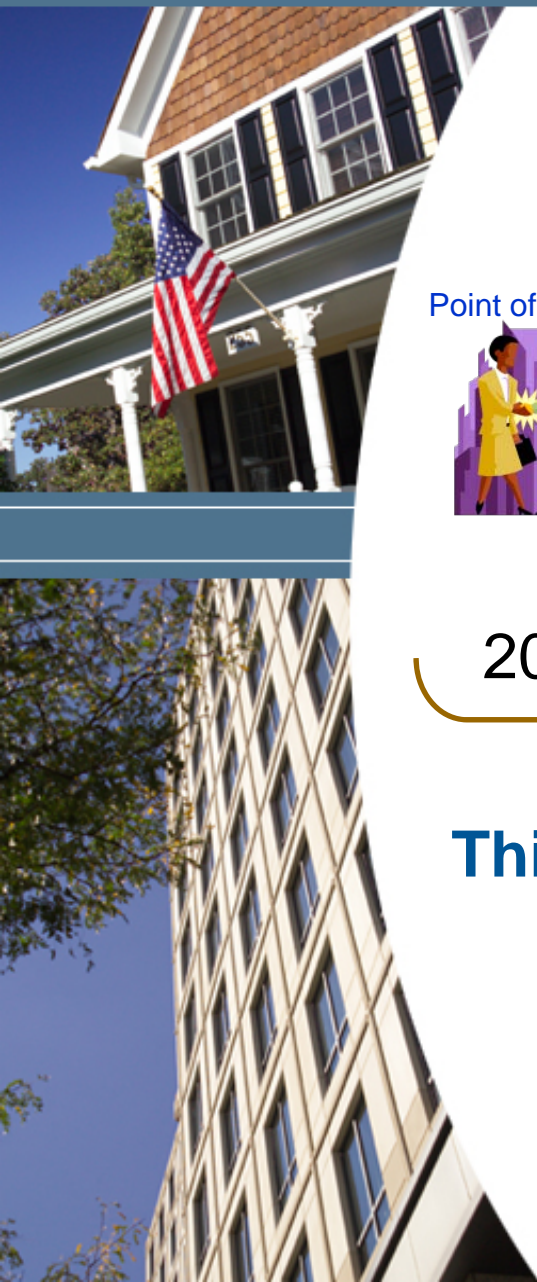
The Market: How Did We Get Here?

- 
- **Proliferation of “esoteric” loan products**
 - » 2/28 ARM’s, 80/20 financing, option/”pick a payment” ARM, stated income/low doc
 - **Insatiable appetite (foreign investment) for US MBS/ABS**
 - » Lender forward commitments kept them hungry for volume
 - » New wholesale/corr.lending channels emerged = RISK
 - **Loosening of Underwriting Standards/Practices**
 - » Repayment capacity out the window (teaser used instead of fully indexed rate) + stated income for non-self employed (liar loan)
 - » Ratio straying (particularly for non-owner occupancy) – with compensating factors (FICO and appreciation were used as cure all) it did not work!
 - **Risk Layering – No Precedence for Performance**
 - » Lower FICO band+100% CLTV (piggy back), 2/28 ARM, NINA
 - » We did not price or reserve for these

Silo Based Reports, Data, Tools

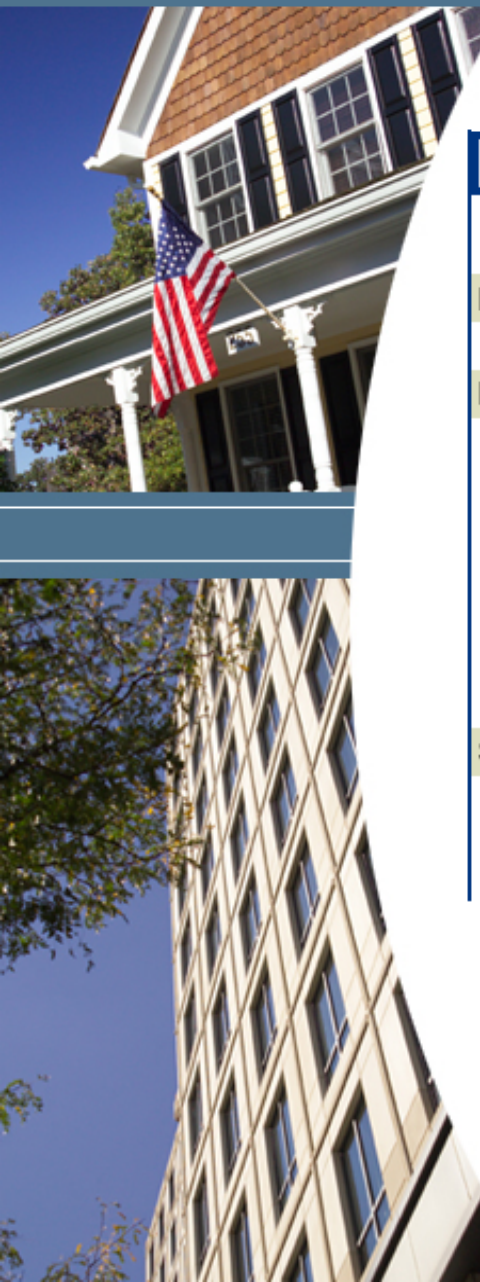


Silo Based Reports, Data, Tools



This is where you find the ROI !

Collateral Fraud – Beyond Point Estimate



Order Summary			
Input Address:	2906 FLORA AVE	Report Date:	Jan 24, 2007
Input City-State-Zip:	MEMPHIS, TN 38114-5641	Input Estimate:	\$58,000
Final Analysis			
F Score:	25		
Market Analysis			
Nearby Sales:	35	Rural Flag:	U
Max Distance:	0.34 Miles	High Price:	\$72,127
Average Distance:	0.19 Miles	Average Price:	\$35,577
T Score:	25 of 35	Median Price:	\$35,000
T Ratio:	71.4%	Low Price:	\$5,000
S Gain (Sale Pairs):	150.8%(20 of 35)	Mobile Home:	0.0%
L Gain (Loan Pairs):	100.4%(7 of 35)	Disaster Date:	None
		Disaster Type:	
Subject Analysis			
Prior 3 Year Foreclosure:	Yes	APN:	059-021 -012
Prior 3 Year Sale Gain:	54.5%	Last Sale Date:	Sep 26, 2006
Prior 3 Year Loan Gain:	0%	Last Sale Price:	\$16,500

- Micro market 71% T-Ratio
- 20 of 35 properties in market 2X sales in 36 months
- Subject 4 month gain on sale 3X (\$16K to \$58K)

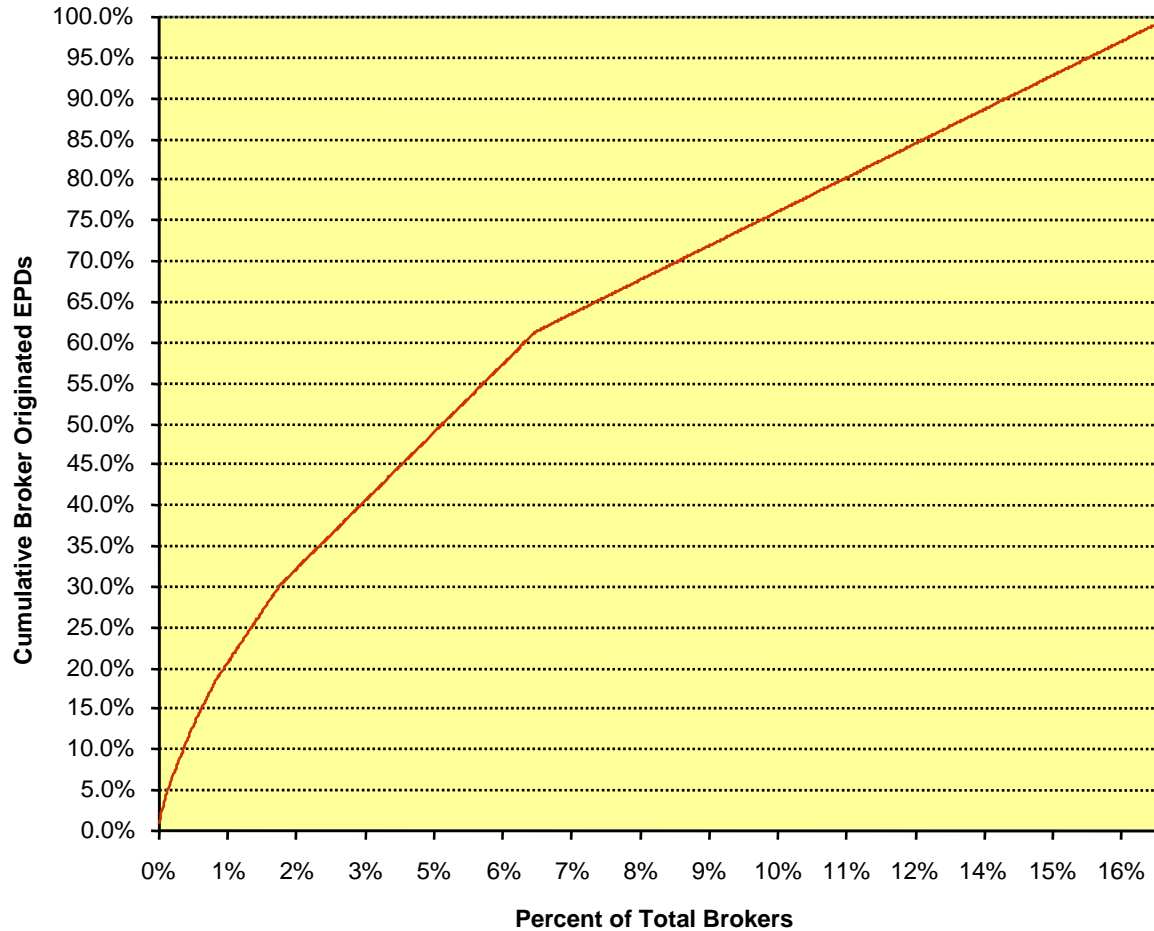
Collateral Fraud – This Still Happens....

Original appraisal \$265,000

Review appraisal \$112,000



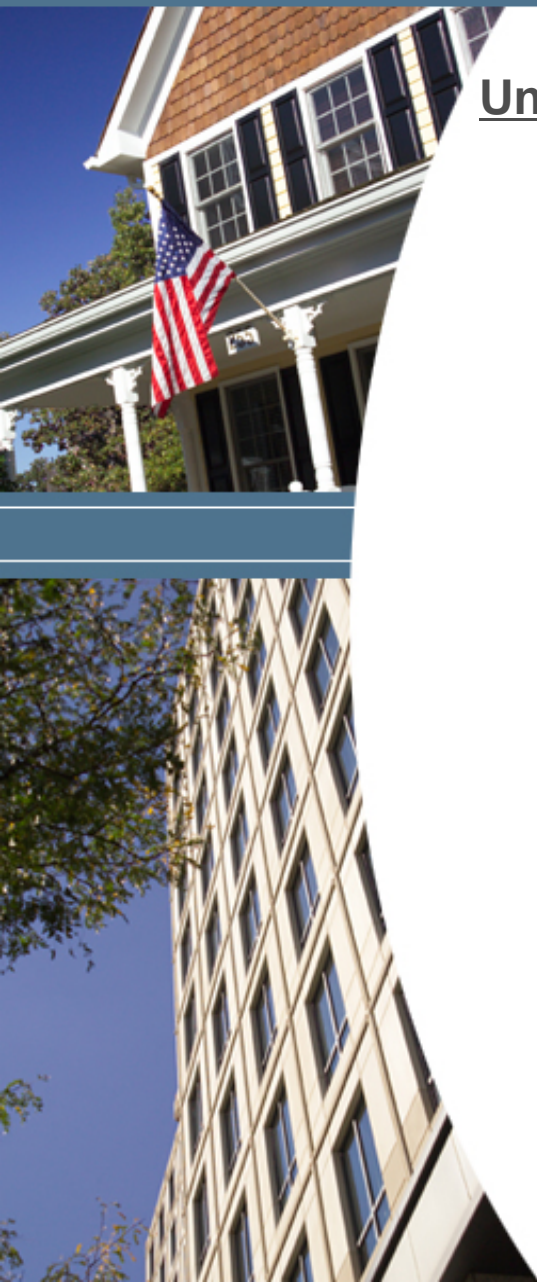
Third Party Risk: EPD Concentration



Caution Levels:

- **73% = LOW risk**
- **20% = MEDIUM risk**
- **7% = HIGH risk**
(funding 63% of EPDs)
- **0.5% = VERY HIGH risk**
(funding 13% of EPDs)

Borrower Authentication

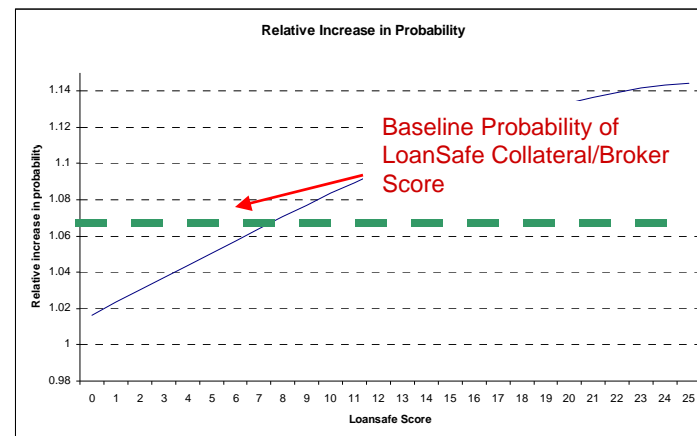


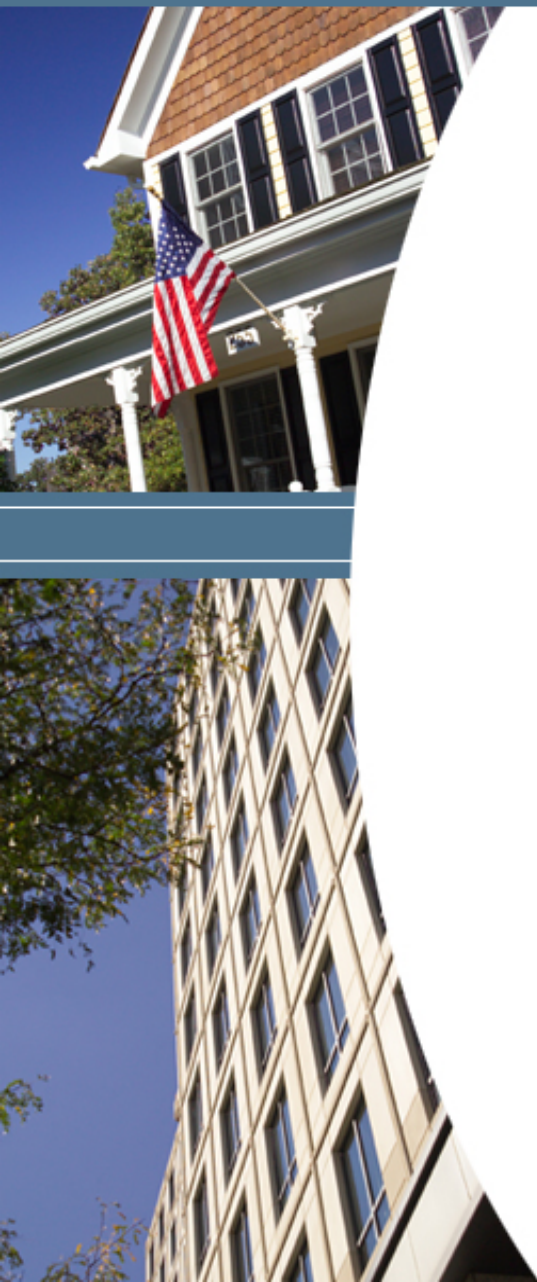
Underwriting Caution Flags

- ✓ SSN Validation
 - ✓ Deceased, invalid, not issued, multi-name, AKA name, etc.
- ✓ Age verification
- ✓ OFAC/Patriot Act list check
- ✓ Address/Current Residence Verification
- ✓ Phone verification
- ✓ Driver's license verification
- ✓ Bankruptcy/foreclosure history notification
- ✓ Employer address, phone, location analysis
- ✓ Credit inquiries/trade lines per SSN

• Predictive Behavior Model

- ✓ Pattern analysis to predict identity theft
- ✓ Value shift analysis to indicate occupancy discrepancies
- ✓ Previous address and transient behavior analysis
 - ✓ Patterns of extracting money from residential property





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Listed in category: [Real Estate](#) > [Residential](#)

1st TIME REAL ESTATE PARTNER NEEDED! Earn \$7K - \$18K
 No cash, No Exp Needed - Any area - Need GOOD CREDIT

Item number: 4375360616

Bidder or seller of this item? [Sign in](#) for your status | [Watch this item](#) in My eBay | [Email this advertisement to a friend](#)



Price: **US \$7,000.00**

List date: Apr-20-05 17:19:30 PDT

Item location: Longwood FL
 United States

Seller information

[ram25000](#) (12 ☆)

Feedback Score: 12
Positive Feedback: 87.5%
 Member since Apr-01-01 in United States

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Description [\(revised\)](#)

Item Specifics - Residential Real Estate

Sq Footage (Sq. ft.): **1866.00**
 Property Type: **House**
 Property Address: **1521 Dess Dr.**
 City: **Orlando**
 State/Province: **Florida**
 Zip/Postal Code: **32818**
 For Sale by: **Owner**

Setting: **Suburban**
 Number of Bedrooms: **3**
 Number of Bathrooms: **2**
 Year Built: **1987**
 Lot Size (acres): **0.25**
 Sale Type: **Existing Homes**

[Display Map](#)

[Neighborhood Profile](#)

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ATTENTION: NEEDED 1ST TIME REAL ESTATE INVESTOR/PARTNERS - You do NOT need any cash or experience. We always supply all of the cash and we take care of everything A-Z! The photo of the house is a typical house in which we partner up with people like you. Please read the following. You may call us at 407-492-5443 anytime with any questions! By having GOOD CREDIT, you can earn anywhere from \$7K - \$18K just by partnering up with us!

After reading and understanding all of this, please give us a call at 407-492-5443 and we will get you started.

- **Survey borrower and co-borrower salary ranges simultaneously using four leading salary databases**
- **Validate employer information**
- **Evaluate borrower and co-borrower's capacity to repay based on past housing patterns (income composition)**
- **Provide additional employer and labor market information**



EMPLOYEE NAME COX, HELENA			EMP. NO. 009	DEPT. 003	CLOCK # 0001	CONTROL NUMBER P34-78662	EMPLOYER NAME QUICKEN LOANS		
SSN XXX-XX-XXXX	FWT M-0	SWT EXEMPT MI	CHECK # 13225	PERIOD END 10/20/2005	CHECK DATE 10/28/2005	DEDUCTIONS & REIMBURSEMENTS			MISCELLANEOUS
EARNINGS						DESCRIPTION	CURRENT	YEAR-TO-DATE	
DESCRIPTION	PAY RATE	HRS/UNITS	CURRENT	YEAR-TO-DATE					
REG PAY	4,942.31	80.00	4,942.31	103,788.51	SOCIAL SEC	306.42	6,434.82		
					MEDICARE	71.66	1,504.86		
					FWT	1,153.17	24,216.57		
					STATE W/H	192.75	4,047.75		
TOTAL			4,942.31	103,788.51	TOTAL	1,724.00	36,204.00	NET PAY	3,218.31

Thank you for ordering a quality product from WWW.NOVELTYPAYCHECKSTUBS.COM

SUGGESTIONS

To make your paycheck stub appear more realistic, here are a few things that will help:

- **Fold your stub in half, then half again**
- **Crumple it up a bit like it's been in your pocket**
- **Make a short grocery list on the back of the stub**
- **Write a phone number on the front of the stub**
- **Set your stub on the ground and rub it along the floor a bit to make it appear older**

Only incorporate a couple of the suggestions. Using them all will be a bit excessive.

Thank you for using WWW.NOVELTYPAYCHECKSTUBS.COM

Multi-Lien – Very Expensive Mortgage Scheme



Subject Report

Site Address: 4329 IVY LN GLENVIEW IL , 60026 -1086
Mail Address: 4329 IVY LN GLENVIEW IL , 60026 -1086
APN: 04 29 100 193 0000
Legal Desc: PART NW4 S29 T42N R12E 3P
County: Cook County
MSA Name: Chicago-Naperville-Joliet, IL
MSA Code: 16974
School District:
Census Tract:

Owner Information

Current Owner:
Second Owner:
Spouse:

Assessment
Assessed Land: \$9,457
Assessed Improvement: \$57,289
Assessed Total: \$66,746
Assessed Market:

Property Details

Use Code: RSFR
Lot Size: 13,908 sq ft
View:
Tax Amount: \$8,477
No. of Units:

Building sq ft:
Bedrooms:
Improved: 85.0%
Garage: Attached
Pool:

Living sq ft: 3145
Bathrooms: 3
Heating:
Stories: 2
Fireplace: Undefined Type - 1

CoreLogic Multi-Closing Program

-260 Confirmed "Saves" to date
-\$32+ M in losses averted

Transfer Date Sep 9, 2005	Transfer Value \$0	1st Loan \$488,000	2nd Loan \$0	Transfer Type Refinance or Equity Line of Credit
Buyer: F Seller: Lender: -----	Deed Type: TRUST Loan Type: CNV Rate Type: ADJ		Valued Sale: Document Number: 000028755032	
Transfer Date Aug 4, 2005	Transfer Value \$0	1st Loan \$500,000	2nd Loan \$0	Transfer Type Refinance or Equity Line of Credit
Buyer: F Seller: Lender: -----	Deed Type: TRUST Loan Type: CNV Rate Type: FIX		Valued Sale: Document Number: 000023520101	
Transfer Date Jul 27, 2005	Transfer Value \$0	1st Loan \$520,400	2nd Loan \$0	Transfer Type Refinance or Equity Line of Credit
Buyer: E Seller: Lender: -----	Deed Type: TRUST Loan Type: CNV Rate Type: ADJ		Valued Sale: Document Number: 000021442134	
Transfer Date Jul 23, 2005	Transfer Value \$0	1st Loan \$500,000	2nd Loan \$0	Transfer Type Refinance or Equity Line of Credit
Buyer: Seller: Lender: B	Deed Type: TRUST Loan Type: CNV Rate Type: ADJ		Valued Sale: Document Number: 000024116197	
Transfer Date Jun 21, 2005	Transfer Value \$0	1st Loan \$0	2nd Loan \$0	Transfer Type Nominal
Buyer: F Seller: E Lender: -----	Deed Type: QUIT Loan Type: Rate Type:		Valued Sale: Document Number: 000017250013	
Transfer Date Apr 17, 2003	Transfer Value \$0	1st Loan \$50,000	2nd Loan \$0	Transfer Type Refinance or Equity Line of Credit
Buyer: F Seller: Lender: <	Deed Type: TRUST Loan Type: CNV Rate Type: ADJ		Valued Sale: Document Number: 000012233004	
Transfer Date Apr 17, 2003	Transfer Value \$0	1st Loan \$522,750	2nd Loan \$0	Transfer Type Refinance or Equity Line of Credit
Buyer: F Seller: Lender: MORTGAGE INVESTORS	Deed Type: TRUST Loan Type: CNV Rate Type: ADJ		Valued Sale: Document Number: 000012233005	

Models (Econometric & Regression) Drive Scoring

- » 4 years of performance data, 50 million records, largest lenders in the country
- » Scoring PROVEN to predict incidents (EPD), Roll Rates and severity (LGD)
- » Behavior Models behind all modules
 - Credit
 - Collateral
 - Borrower
 - Channel Partner
 - Income

• Underwriting Cautions (Flags and Alerts)

- » Information validation and/or verification that an underwriter (someone in pre-funding) should “clear” prior to approval.
- » There may be LS RDS scores of “0” that contain underwriter cautions
 - These cautions may or may not be inputs to the scoring model

Performance Differentiating Information

