

Ten Years Ago, Today and Tomorrow

Industry and Technology Change

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The Past Decade – Has Been An Interesting Time

A Decade Of Profound Change		
Measure	1996	2006
Res. Mortgage Originated	\$800 Million	\$2.5 Trillion
Res. Mortgage Debt Outstanding	\$4 Trillion	\$10+ Trillion
HH Debt Service	12.1%	14.5%
GSE Share of Debt Outstanding	37%	39%

1996 - NEW TECHNOLOGY BROUGHT TO MORTGAGE

- **Move from DOS to WIN/95**
- **Citrix converts NT3.51 to Multi-user Platform**
- **Two Tier Client Server Architecture**

1996 - MORTGAGE TECHNOLOGY DEVELOPMENTS

- **40% Of Lenders to Install Lap-Tops**
- **MBA Technology Committee Promise 36 ASC X.12 Transactions**
- **25% Of Lenders Have AUS Implemented**
- **MERS – Maiden Year with 10 Employees**

1996 LENDERS BECOME TECHNOLOGY AWARE

Lender Technology Objectives in 1996 (% of Lenders)

Standardize on a single platform	35%
Reengineer workflow	27%
Upgrade technology	24%

Source: MORTECH 1996

1996 Technology Seen As An Aid To Operations

Lenders' Technology Attitude in 1996 (% of Lenders)

Technology is a:

Operational Aid 83%

Strategic Instrument 19%

Tactical Tool 24%

Source: MORTECH 1996

MORTGAGE UNDERWRITING: TEN YEARS AGO, TODAY AND TOMORROW

Bill Kelvie
CEO & Founder
Overture Technologies

YESTERDAY: PRE-AUTOMATED UNDERWRITING

- Parsing the credit report
- Putting the picture together
- Leveraging common sense and skepticism
- Predominantly local with personal knowledge of the borrower

*Underwriting was a craft based
on a long apprenticeship.*

EARLY A.U.S. PIONEERING

- Underwriter as Data Entry Clerk
- Decoding the findings
- Low approval rates
- Sneakernet integration with DOS systems

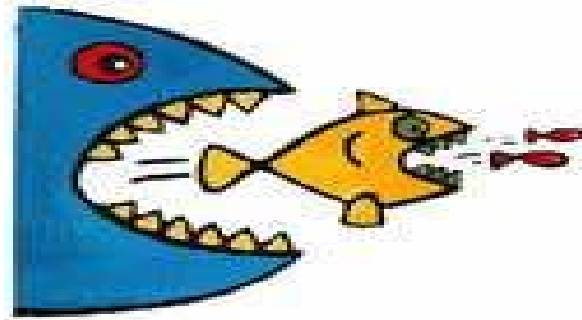
*Within several years, leading
automated underwriting systems*

facilitated huge and highly profitable refinancing waves



TODAY

- Consolidation and disaggregation creates many underwriting points: each further removed from the borrower



- Underwriting tasks are also performed by mortgage insurers, warehouse lenders, and diligence firms.

Leading tools incorporate product eligibility, pricing and underwriting in a continuous process.

TODAY: The Non-Conforming Sector Lags the Conforming World by a Decade

“Mortgage Defaults Start To Spread”

Wall Street Journal, March 1, 2007

**“Calm Returns To Market, But Worries
Persist Over Subprime Loans”**

New York Times, February 28, 2007

“Subprime Housing Game Is Over”

Bill Fleckenstein, MSN Money, February 26, 2007

*Declining home prices exposed the froth in the market,
revealing fraud and concealed risks*

TOMORROW: Back to the Future - Underwriting Matters within an Expanded Definition of Risk Management

- Independent, third party power tools, i.e. enhanced AVM's
- “Certified Load Factory”
- Designer security for global markets
- A new sheriff in town to stop fraud

