

# Starting Up an SIU: Leveraging Technology

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*First American*  
**CORELOGIC**

- Automating workflow
- Fraud as part of your overall risk management strategy
- Holistic Solutions
- Integration
- Operational compatibility
- Exception Management
- Detection AND Deterrence

- “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

# Silo Based Reports, Data, Tools

## Pre-Funding

## Post-Funding

Point of Sale → Underwriting → Appraisal Review/QA/Fraud → Quality Control



5%

10%

25%

60%

80%+ of tools and Information used re-actively

# Pre-Funding: Decision Support and Workflow Automation

## Pre-Funding

## Post-Funding

Point of Sale → Underwriting → Appraisal Review/QA/Fraud → Quality Control



20%

60%

15%

5%

This is where you find the ROI  
FRAUD can occur in every step...

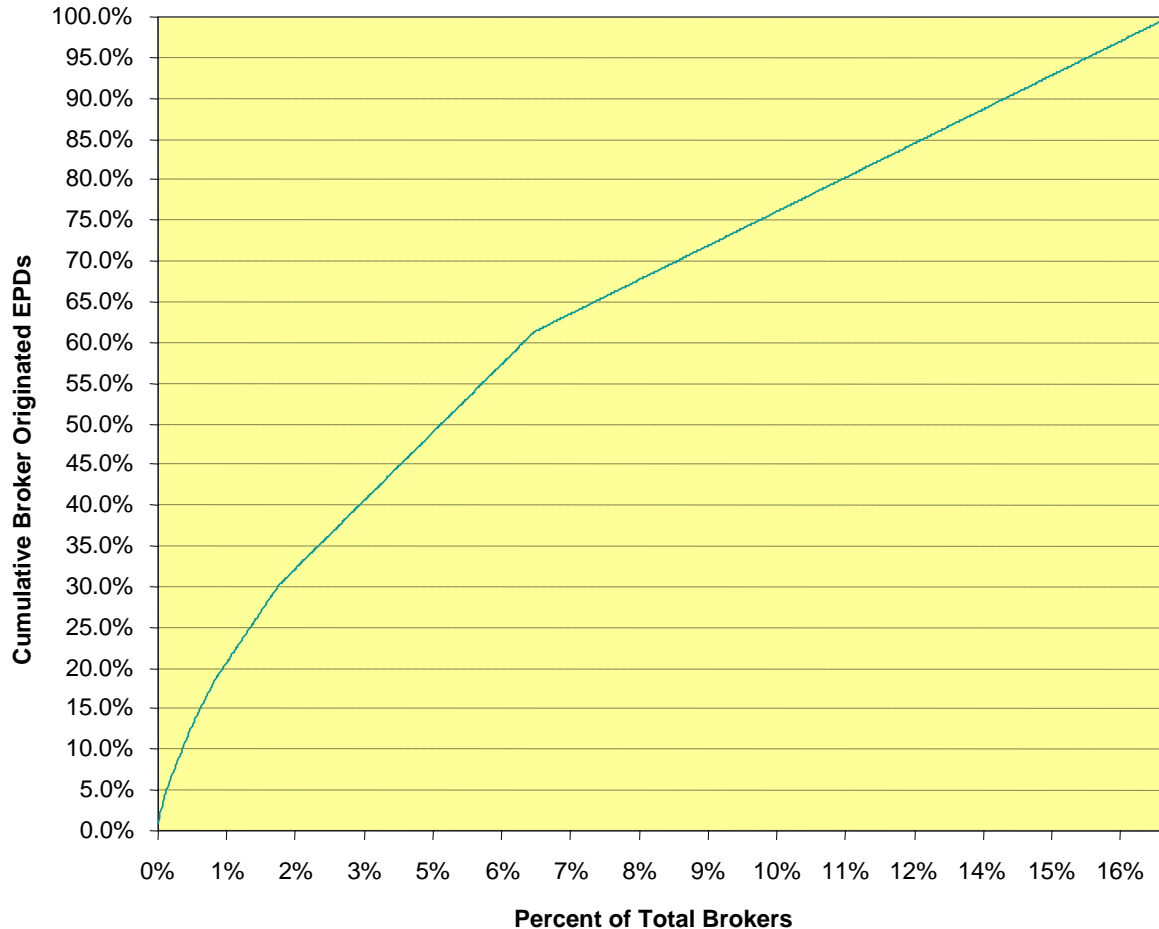
- Pre and Post Funding solutions necessary
- Fraudsters = Innovators?
  - Constant vigilance & process improvement
- External and Internal Fraud...
  - Majority of fraud facilitated by an “Insider”
- Your “solution”:
  - Must encompass ALL elements of the transaction
  - Borrower, 3<sup>rd</sup> Party, Collateral, Production, etc

- Indiana Fraud Scheme
- Originated June/Aug 2005
- Sample of 18 affected properties originated June/Aug 2005 and performed a retro-analysis for May 2005 – *prior to their closing date*

Address	Score
2121 N Catherwood Ave.	20
2125 N Catherwood Ave.	20
2214 Norden Ct.	19
2219 Norden Ct.	19
2414 N Kitley	18
6114 E 21 <sup>ST</sup> St.	20
6148 Nimitz Dr.	21
6153 Nimitz Dr.	19
6154 Commodore Dr.	19
6160 Nimitz Dr.	18
6177 Commodore Dr	19
6226 Commodore Dr	18
6249 Nimitz Dr.	18
6255 Commodore Dr	18
6301 Nimitz Dr.	18
6317 E 24 <sup>TH</sup> St.	18
6317 Nimitz Dr.	18
6318 E 24 <sup>TH</sup> St.	18



# Third Party Risk: Broker EPD Concentration



## Cautious Levels:

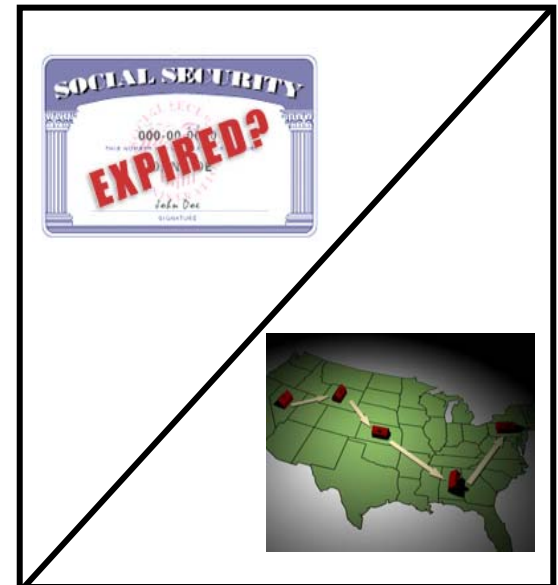
- **73% = LOW risk**
- **20% = MEDIUM risk**
- **7% = HIGH risk**
  - 63% of EPDs
- **0.5% = VERY HIGH risk**
  - 13% of EPDs



# Borrower Risk

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- Go beyond identity verification – examine prior address history for patterns and inconsistencies
- Analyze sales and loan history from previous addresses
- Several Fraud Alerts Key:
  - Overall Risk Conditions
  - SSN Verification
  - Owner Occupancy



# Multi-Lien - Case Example – A new trend



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:			
<b>Owner Information</b>	<b>Assessment</b>		
Current Owner:	Assessed Land:	\$9,457	
Second Owner:	Assessed Improvement:	\$57,289	
Spouse:	Assessed Total:	\$66,746	
	Assessed Market:		
<b>Property Details</b>			
Use Code: RSFR	Building sq ft:	Living sq ft:	3145
Lot Size: 13,908 sq ft	Bedrooms:	Bathrooms:	3
View:	Improved: 85.0%	Heating:	
Tax Amount: \$8,477	Garage: Attached	Stories:	2
No. of Units:	Pool:	Fireplace:	Undefined Type - 1

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

## CoreLogic Multi-Closing Program

-59 Confirmed "Saves" to date  
-\$10-15M in losses averted

# Collateral Fraud – It still happens...

Original appraisal \$265,000

Review appraisal \$112,000



- Proven, quantifiable ROI
- Breadth of Solutions
- Financial wherewithal
- Culture and track record for Innovation
- Secondary Market Alignment
- Customer Focus
  - Consulting, Training, Implementation
  - True “Partnership”
  - Customization

- Pre-funding solutions critical in decreasing loss exposure
  - Alignment with operations
  - Clear exception management process
- Detection AND *Deterrence*
- Leverage your technology partner
  - Expertise, Best Practices, Automation, Innovation
- Train, Train, Train!
- Quantifiable ROI and performance metrics