



PRBC®  **Payment Reporting
Builds Credit**®

Mortgage Bankers Association

Nonprime and Specialty Lending Conference

Nontraditional Credit Underwriting Approaches

March 11, 2008

“Partnering with lenders to help mortgage applicants build a credit history with on-time rental and other bill payments, just as homeowners do with a mortgage.”

Highlights

- Non-traditional Credit Underwriting Challenges
- Data Quality Standard
- PRBC Overview and Fair Isaac Partnership
- Connectivity to PRBC Repository
- Alternative credit underwriting guidelines
- Sample Report
- PRBC Resellers

Underwriting Challenges

- Full Documentation Loans – required by GSEs and FHA for thin-file (les than 4 active trade lines) and no score borrowers
 - Identity
 - Non–reported bill payments (alternative credit trade lines)
 - “Suppressed” negative information??
 - Income
- Independence of verifier??
- No “standard” verification policies and procedures to mitigate fraud
- No central repository to store findings for independent quality control and fraud investigation
- Wide variation in loan performance among lenders– bill payment data quality suspected

Data Quality Standard

- PRBC has open Data Quality Standards and Procedures for manual verifications of historical bill payments
 - Agreed-Upon Procedures for Manual Verifications of Identity and Payment Accounts Release 3.8, March 1, 2008
 - Endorsed by **National Credit Reporting Association (NCRA)** as best practices
 - NCRA Data Quality Standards Committee periodically reviews to maintain state-of-the-art fraud mitigation
 - **Independent Verifiers** have no connection to transactions
 - PRBC Repository supports
 - FCRA-compliant use and re-use of data
 - independent on-line quality assurance audits
 - fraud investigations

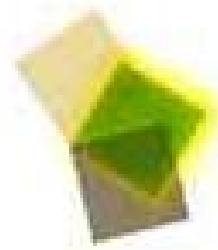
Pay Rent, Build Credit, Inc. (PRBC[®])

- PRBC is consumer reporting agency, incorporated in 2002, that is an FCRA- and FACTA-compliant repository for rental and other recurring bill payment data
- As a credit bureau PRBC...
 - Aggregates and verifies bill payment data from multiple sources, made by consumers with a SSN or ITIN, and small businesses with an EIN
 - Stores data in a secure IBM-built repository that can be updated real time
 - Scores data for use in automated underwriting systems
 - Makes consumer information available in real time via distribution channels commonly used in credit scoring, credit-granting, automated underwriting and pricing decisions (i.e. Reseller-, Lender AUS-, LOS-compatible)

PRBC Founding Sponsors and Investors

FORD FOUNDATION

Strengthen democratic values, reduce poverty and injustice,
promote international cooperation and advance human achievement



OMIDYAR
NETWORK



TOTAL TECHNOLOGY VENTURES, LLC



PRBC Terms of Service Highlights:

- PRBC is regulated and operates in compliance with the Fair Credit Reporting Act and Fair and Accurate Credit Transactions Act
- No personal identifying information will be released without User consent, and lists are not sold that facilitate customer poaching
- There is no charge to set up or to view a User file using a secure Internet connection
- There is no charge to any party by PRBC, to accept bill payment information reported to PRBC electronically from a User's bill payment service provider or biller

Three data reporting channels to PRBC:

- **Traditional**
(from Biller)



- **Self-Report***
(with manual verification)

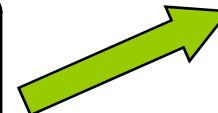
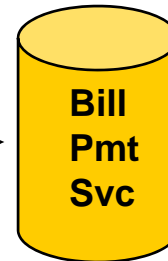


Manual
Verification



PRBC
Repository

- **From a bill
payment
service***



* Enables consumers to add missing positive account information to their report and score, to avoid being under-scored and possibly over-paying.

Acceptable Payment Accounts

Rent	Mortgage
Mobile Home	Electric
Natural Gas	Heating Oil
Water	Sewer
Phone	Cable
Satellite	Insurance
Unsecured Loan	Business Loan
Secured Loan	Auto Loan
Student Loan	Furniture Lease
Appliance Lease	Day Care
Self Storage	Parking
Remittances	Child Support
Alimony	(Other)

PRBC Reports with FICO Expansion Score

- Fair Isaac/PRBC Alliance launched November 2007
- FES offers same score range and risk ordering as classic FICO
- PRBC Report with FES incorporates
 - Positive and negative payment data from PRBC on rent and monthly bills
 - Merged trade line information from one or all three main bureaus
 - Results from negative databases (e.g. CheckSystems)
- Summary reports acceptable to Fannie Mae, Freddie Mac, and FHA



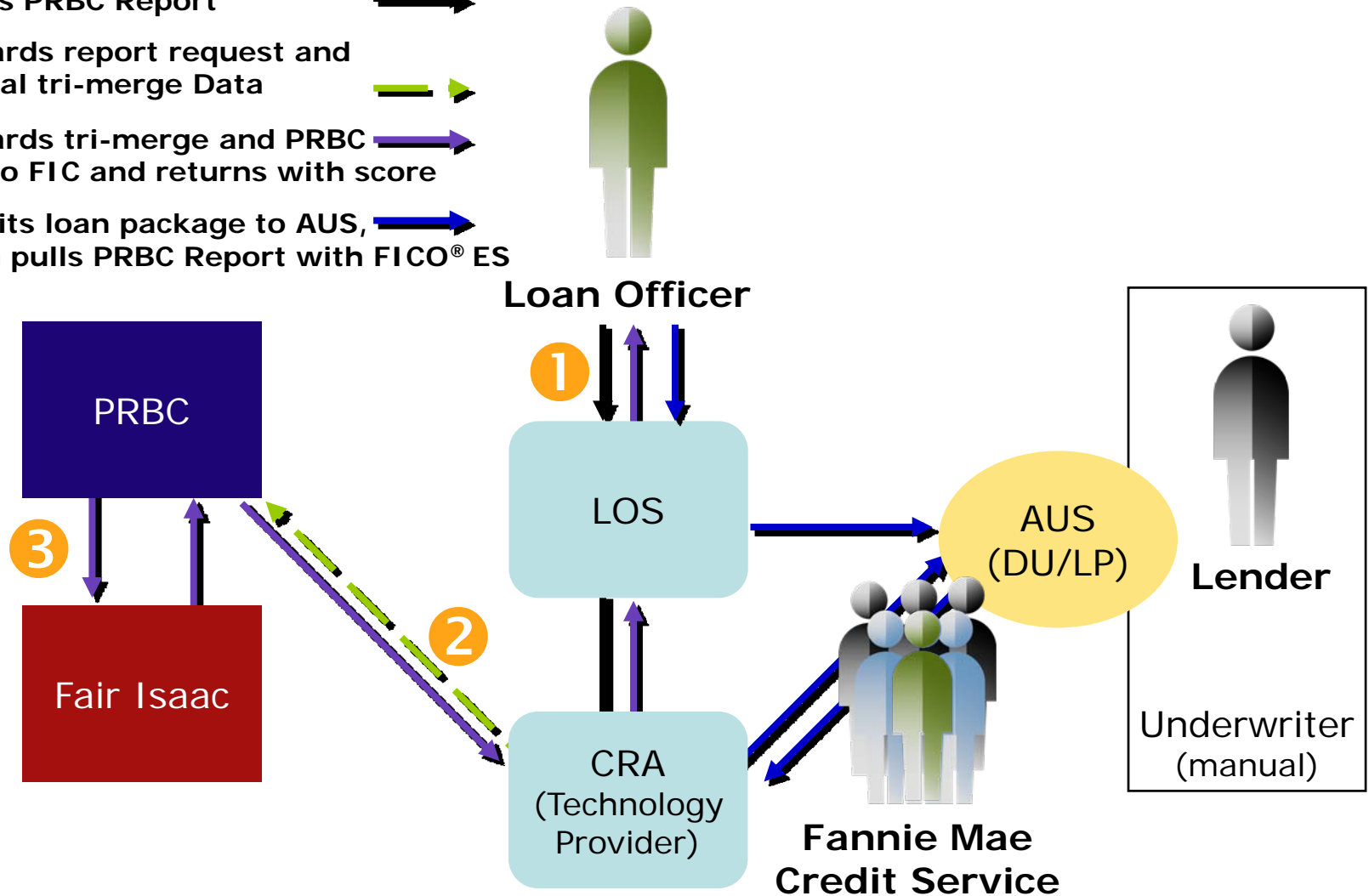
What Fuels the PRBC Report with FICO® Expansion® Score?

- Traditional Credit Bureau Thin File Data
- PRBC Bill Payment Data
- Demand Deposit Account Data
- Public Record Data
- 3rd party non-traditional credit Data
 - “Negative” information
 - “Positive” information
- Property/Asset Data
- Membership Club Data
- Utility Data



Automated Alternative Credit Workflow PRBC Report with FICO® Expansion Score Order and Loan Submission process:

- 1 Orders PRBC Report
- 2 Forwards report request and original tri-merge Data
- 3 Forwards tri-merge and PRBC data to FIC and returns with score
- 4 Submits loan package to AUS, which pulls PRBC Report with FICO® ES



Secondary market acceptance of PRBC Reportssm as non-traditional mortgage credit reports (NTMCRs) or Residential Mortgage Credit Reports (RMCRs)

- ✓ **FHA**
- ✓ **Fannie Mae**
- ✓ **Freddie Mac**
- ✓ **Genworth Financial**
- ✓ **MGIC**

"PRBC Reports comply with Fannie Mae standards for establishing the credit reputations of manually underwritten borrowers.

This means PRBC Reports may provide originators with a practical way to supplement or document creditworthiness and payment histories for thin and no-file borrowers for mortgages that can be sold to Fannie Mae.

See Fannie Mae Selling Guide Part X, Section 103.04 for details.

However, it is important to note that Fannie Mae will not purchase mortgages based solely on PRBC Bill Payment Scores (BPS)."

-- Fannie Mae December 8, 2006

General mortgage underwriting requirements for applicants with “thin” or no traditional credit files

- ✓ Rent or mortgage plus 2 -3 additional trade lines such as utilities, cable, phone, insurance, auto loan, daycare, rent-to-own furniture or appliances, deposits to a savings account

- ✓ Paid on time for at least 12 months

- ✓ Lending programs offer by most major lenders that accept NTMCRs:
 - Fannie Mae *MyCommunityMortgage*[™]
 - Freddie Mac *Home Possible*[®]
 - FHA

2 - EQUIFAX11/12/07
*** NO RECORD FOUND ***

3 - EXPERIAN11/12/07
*** NO RECORD FOUND ***

4 - PRBC11/12/2007
NAME: LUCKY KNOWSCORE
NAME: LUCKY KNOWSCORE DOB: 10/10/1969
SSN: 301--4-2-2345

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4 LUCKY KNOWSCORE
PRBC BILL PAYMENT SCORE 704
05 - LENGTH OF ACCOUNT PAYMENT HISTORY
06 - NUMBER OF REPORTED ACCOUNTS

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OTHER CREDIT HISTORY

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*** NO RECORD FOUND ***

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TRADE SUMMARY

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	COUNT	BALANCE	HIGH CREDIT	PAYMENT	PAST DUE
MORTGAGE	0	0	0	0	0
AUTO	0	0	0	0	0
EDUCATION	0	0	0	0	0
OTHER INSTALLMENT	0	0	0	0	0
OPEN	3	0	0	0	0
REVOLVING	0	0	0	0	0
OTHER	0	0	0	0	0
TOTAL	3	0	0	0	0

SECURED DEBT	OLDEST TRADELINE	01/05
UNSECURED DEBT	DEBT/HIGH CREDIT	

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DEROGATORY SUMMARY

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CHARGE OFFS	0	DELINQ 30 DAYS	0	INQUIRIES	3
COLLECTIONS	0	60 DAYS	0		
BANKRUPTCY ACCOUNTS	0	90 DAYS	0		
PUBLIC RECORDS	0	OTHER	0		

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PRBC Reportssm are distributed to over 120,00 users of credit reports and scores through PRBC's Affiliate Resellers



PRBC[®]

Everyone's Equal Credit Opportunity

