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Six Ways *Undisclosed Debt Monitoring* Can Help Increase Your ROI

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a SMARTER approach to risk™

Expert Summary

Undisclosed debt has been identified as one of the leading causes of mortgage fraud and has represented a large percentage of all lender repurchase demands. The ability to identify undisclosed debt early in the loan origination process can save lenders significant time and resources while reducing repurchase risk.

Here are six of the ways that Undisclosed Debt Monitoring can help you:

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Avoid Buybacks

1

Undisclosed liabilities are the top reason for buybacks. ***Fannie Mae reported "Liability" as 41% of total misrepresentation by type***. Advanced monitoring can reduce your risk of buybacks and ultimately improve financial stability. A process to identify undisclosed liabilities should be part of every lender's underwriting and QC program per Fannie Mae's Loan Quality Initiative (LQI).

LQI Compliance

2

It's better to comply than risk paying a fine. QC reviews are conducted on 100% of files delivered to Fannie Mae and Freddie Mac for credit, income and appraisal issues 30 to 120 days after the loan purchase. Fannie Mae LQI requirements suggest using a borrower credit report monitoring service between the time of the loan application and closing. However, misconceptions about LQI requirements can result in lenders doing more work than what is actually required. LQI does not require a new credit report to verify additional debt(s). **Undisclosed Debt Monitoring™ (UDM) powered by Equifax is the leading industry monitoring tool and available through FraudGUARD®.**

Optimize your Resources

3

By spending time on what is necessary to move loans through your pipeline sooner, you can deliver faster approvals on low risk applicants. Ongoing monitoring can catch new major purchases or new tradelines that represent undisclosed debt before the closing date and can result in an 80% reduction in files requiring additional Underwriting Review. If a lender chooses to obtain a new credit report after the initial underwriting decision is made, not only is there the added cost of a new credit report, but also increased labor costs since the loan will need to be re-underwritten.

Reduce Processing Costs

4

With a 24/7 monitoring system, you can reduce the number of loans that require further review, underwrite more loans and approve loans faster. That means instead of reviewing 100% of borrowers prior to closing, you may only have to spend time on 15% resulting in up to an 85% reduction in review costs for undisclosed debt. It's more cost-effective to be proactive than reactive.

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Early Identification of Defective Loans

5

Identification of loan defects early in the origination process enhances the overall quality of new loans. Alerts also allow you to deal with findings as they occur rather than discovering them just before closing. By receiving the alerts early in the process, you can eliminate many last minute problems prior to closing. As a result, investors and mortgage insurers may experience greater levels of confidence, ultimately contributing to greater financial stability.

Reduce Costs of Human Error

6

Ongoing monitoring provides better controls to offset liabilities by avoiding the need to manually pull Gap reports to measure exposure. Significant error rates are tied to manually pulling reports and can result in 12-30% missed trades and lead to higher rates of default and increased costs for the lender.

No More “Blind Spots”

- More visibility into borrower activity that may suggest misrepresentation or undisclosed debt activity for better risk mitigation

Meet Compliance Requirements for Undisclosed Debts

- Provides peace of mind by ensuring compliance with current requirements

Streamlined Underwriting and Quality Control Efforts

- Focus valuable resources on loan files that represent a higher level of buyback risk

Increased Loan Delivery Confidence

- Improve the confidence level of investors, mortgage insurers and regulators in your underwriting practices

Immediately Improve the Quality of Your New Vintages

- Reduce the risk of fraud, the cost of non-compliance and potential repurchase

About Interthinx Undisclosed Debt Monitoring powered by Equifax

The integration of Undisclosed Debt Monitoring (UDM) in FraudGUARD provides lenders a single platform for risk and compliance requirements. Undisclosed Debt Monitoring was developed by Equifax to provide lenders with in-depth monitoring of a borrower's activity concerning tradelines, inquiries and secondary re-issues during the loan process. Since it monitors the "quiet period" between the time of the original credit file pull and the closing of a loan, borrower files are continuously monitored and daily FraudGUARD alerts are provided on activity that may represent potential risk. The FraudGUARD report provides written proof of compliance that can be placed in the loan file.

About Interthinx

Interthinx, a Verisk Analytics (Nasdaq:VRSK) subsidiary, provides essential solutions to mitigate risk in the mortgage lending marketplace. Interthinx offers capabilities in mortgage fraud and verification, property valuation, compliance, quality control, loss mitigation, and capital planning that are used by the nation's top financial institutions. Interthinx helps its clients minimize risk, increase operational efficiencies, satisfy regulator demands, manage data verification, and remain compliant.

Trust Interthinx to deliver up-to-date compliance solutions that help you focus on your core business objectives while mitigating risks of fines, repurchases and increased examination scrutiny.

For more information, visit www.interthinx.com or call 1-800-333-4510.

Interthinx End-to-End Risk Mitigation

As the largest aggregator of mortgage application data and the most comprehensive proprietary database, Interthinx provides proven end-to-end risk mitigation tools and a leading team of experts in mortgage fraud, collateral risk, regulatory compliance and audit services.

MORTGAGE FRAUD & VERIFICATION SERVICES

- FraudGUARD®
- SafeCheck®
- SSN Direct
- 4506-T
- Watchlist Review Module

COLLATERAL RISK & VALUATION SOLUTIONS

- Interthinx Review Appraisal Services
- Clear Value® AVM
- Condition Assessment Report

REGULATORY COMPLIANCE

- PredProtect®
- TPR
- Regs DATA
- Civil / Criminal Background Checks & Credit Reports

LOAN REVIEW SOLUTIONS

- Quality Control
- Servicing QC
- MERS Audit Services
- Fraud Investigation
- Customized Solutions

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