CoreLogic Merges with First American Real Estate Solutions

New, Combined Company to Deliver Comprehensive Line of Risk Management Analytics to the Mortgage Industry

The First American Corporation, America’s largest provider of business information, recently announced that it has merged its First American Real Estate Solutions (RES) division, a part of its FARES LLC subsidiary, with CoreLogic Systems, Inc., a leading provider of mortgage risk assessment and fraud prevention solutions. In 2006, RES and CoreLogic generated approximately $252 million and $74 million in revenues, respectively.

Traditionally, risk associated with mortgage lending was managed through labor-intensive quality control and due diligence reviews. The combined company makes this process more efficient and effective by applying advanced data and analytics at every point in the lending process.

George Livermore, currently president of First American’s Property Information and Services segment, has been appointed president of the new company. Steve Schroeder, formerly chief executive officer of CoreLogic, will oversee the mortgage risk analytics business line for the company in the newly created role of executive vice president of risk management, reporting directly to Livermore. CoreLogic’s staff and operations will remain at its Sacramento, Calif., headquarters and all products offered by each company will continue to be available to customers.

“This newly created company has the combined expertise and assets that allow our clients to identify, quantify and manage risk in a more transparent and precise way than previously possible,” stated Livermore. “By providing innovative analytical solutions that touch every stage of the life of the loan, we will be able to help our lender, servicer and mortgage-investor clients become more competitive and profitable.”

Since 2004, RES has acquired three analytics companies: LoanPerformance, UK Valuation, and Basis100, and has

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Fraud Facts: What Is Repayment Capacity?

Inflated Borrower Income a Key Factor in Rise of Foreclosures

Loan defaults are on the rise, and a large number of lending institutions are left to foot the bill. According to a recent FBI report on foreclosures, the first half of 2006 saw 600,000 borrowers go into foreclosure. In many cases, the lender has been misled about the borrower’s ability to repay the loan, and the resulting foreclosure creates a financial burden for lenders, with consequences reverberating throughout the mortgage economy.

What is repayment capacity? Borrowers default on their loans when they can no longer afford the home they’ve purchased. Whether they are telling a little white lie to get the home of their dreams, or participating in a bigger fraud scheme to buy a house and fraudulently flip it, misstating income is a significant source of real estate fraud today. Lending institutions are looking to companies to help them avoid borrowers who present this type of risk.

In a down market, brokers and other agents also feed the pressure for loan volume. Just as appraisers can be encouraged to inflate a property’s value to push a deal through, misstating income is significant. Lenders rely on IncomePro to help them avoid borrowers who present this type of risk.

IncomePro™ is the industry’s first real-time solution for validating borrower income and capacity to pay, providing lenders an objective means of establishing the soundness of a borrower’s stated income. Utilizing three industry-leading data sources and advanced CoreLogic algorithms, IncomePro validates income and repayment capacity while stratifying and effectively predicting loan performance.

For more information, please visit: www.corelogic.com

CoreLogic Merges with First American RES

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purchased minority stakes in The Bohan Group, ComplianceEase, BasePoint Analytics, and Australia-based RP Data. Together these companies provide data, analytics, and decisioning solutions that address the most pressing challenges in mortgage risk management, including fraud prevention, collateral risk assessment, mortgage prepayment forecasting, regulatory compliance, and due diligence reviews.

“Since co-founding CoreLogic more than eight years ago, I have seen the market for mortgage risk management analytics grow from a specialty market to one that is rapidly expanding into every facet of the mortgage lending process,” said Schroeder. “This merger provides the infrastructure and scale necessary to meet the growing market demands and enhances our ability to fulfill our mission of safeguarding and streamlining the mortgage loan process.”

To learn more about RES’s merger with CoreLogic, please visit www.corelogic.com/corelogic-first-american-merger.
As the mortgage industry braces itself for the predicted continued downturn of the real estate market, originators and investors are scrambling for the latest data and cutting-edge techniques to minimize their risk and improve loan performance. This scramble for survival has led to the evaluation of new solutions in the collateral and identity arenas. Collateral and identity scoring are taking hold as their predictive nature can be proven to identify the riskiest loans.

Despite these shifts, the most critical servicing function of the moment—collections—has yet to embrace these new technologies. Considering the need for new approaches to address increasingly complex challenges, why does there seem to be resistance to change among collectors?

Collectors are traditionally driven by production numbers. They must focus on collecting promises and payments. “Do not call” strategies in early dialer groups tend to be very difficult for collectors to accept. Their instinct is to carefully tend to each loan, frequently calling and touching a loan several times throughout the collections process. Until now, as concerns about long-term loan performance increase, collectors have not needed tools to stratify loans according to risk levels.

Advances in AVM technology have not fully impacted collection operations. In the past, new technologies were dismissed as tools meant more for underwriting. Additionally, in keeping with the overall “hands-on” collections approaches of the past, collectors often prefer personal visits to each property. For these reasons, collateral and identity scoring are not heavily utilized in most servicing shops.

Very few companies today verify identity issues throughout the collections process. As a result, identity fraud issues are rarely identified and reported to management. Appraisals and BPOs are considered the collateral tools in such cases, though these methods are rarely geared toward effectively examining foreclosure activity. Dramatic overstatement of property values in the foreclosure process can go undetected. Collection decisions are based on these overstatements, and ultimately cost investors and portfolio holders significant loss. So why are technology solutions not readily adopted by servicing and collection shops, especially in the state of the current market where efficiency and effectiveness are of the utmost importance?

The answer partially lies with vendors. For several years, vendors have been taking origination products and repackaging them for collectors. Origination products, of course, focus on all risks affecting a loan over the life of the transaction. To maximize effectiveness for collectors, vendors will need to re-develop their products to focus on the specific needs of each collection group.

Collections can be broken down into three groups: front-end, mid-range, and back-end collections. Each group has specific loan customers, and so has different needs and various approaches to risk. For example, identity fraud detection tools have very little relevance for back-end collections, but offer tremendous value in front-end collection models. AVMs and BPOs would best identify foreclosure activity within a neighborhood. With a slight re-focus of data on the part of vendors, collateral and identity tools could provide valuable resources.

Collection and servicing groups can aid in this transition by integrating automated collateral and identity tools and presenting their business needs to the vendors. With the stakes so high in this current market downturn, looking to the future is a win-win scenario for all.
Logic Prevails with Sudoku

**Numeric Puzzle Game Back by Popular Demand**

We hope our frequent inclusion of Sudoku puzzles to our newsletter isn’t too puzzling, because we’re pleased to be including our most popular game feature in this issue of InsideEdge. This worldwide phenomenon logic puzzle seems appropriate for our newsletter—since it is logic that drives CoreLogic’s industry-leading suite of mortgage risk management tools.

For those new to Sudoku, here’s the object of the game: Enter a numerical digit from 1 through 9 in each cell of a 9x9 grid made up of 3x3 subgrids (called “regions”), starting with random digits already revealed in some cells (the “givens”). Each row, column, and region must contain only one instance of each numeral, 1 through 9.

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**Events at a Glance**

Be sure to visit CoreLogic at the following events to learn more about our innovative solutions for detecting and managing fraud risk.

**MBA National Mortgage Servicing Conference & Expo**
February 20-23, 2007
San Diego, CA

**MBA National Technology in Mortgage Banking Conference**
March 25-28, 2007
Tampa, FL

**MBA National Fraud Issues Conference**
March 8-9, 2007
San Diego, CA