

NEWS RELEASE



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New BasePoint FraudMark® FHA Solution Responds to Dramatic Spike in FHA Mortgage Loan Fraud

New fraud detection technology designed to help lenders and FHA stop an estimated \$7.5 billion in fraudulent FHA loans in 2009

Carlsbad, Calif. – April 13, 2009 – [BasePoint Analytics](#), a leading provider of scientific fraud and risk solutions, today announced the launch of a new predictive analytic technology called FraudMark® FHA. FraudMark FHA was designed to prevent skyrocketing fraud losses related to the Federal Housing Administration (FHA) and was built for mortgage lenders originating FHA loans as well as the FHA organization itself. The new software allows lenders to get an instant Qualification Assessment against FHA loan guidelines for each mortgage application, as well as a detailed report on any fraud-related risks that might cause borrower default or delinquency on the loan. Ubiquitous use of the new technology can prevent funding of the majority of an estimated \$7.5 billion in fraudulent FHA loans in 2009 alone.

Renowned BasePoint scientists spent the last six months in the fraud laboratory building this new technology to respond to the rapid increase in FHA-related lending volumes because an increase in lending volumes is historically followed by a spike in fraud losses. "FHA volumes have increased from comprising 2 percent of the US mortgage lending market several years ago to a projected 31 percent this year," advised Tim Grace, CEO and president of BasePoint Analytics. "That's a significant predictor of rising fraud rates. Our recent data analysis suggests that in 2009, FHA originations resulting in default and delinquency due to fraud will spike to \$7.5 billion. And the hard lesson that was learned from the 2008 mortgage industry implosion is – fraud losses can be prevented if you get out in front of the problem with a solution. Inaction results in colossal losses that hurt the overall economy."

FraudMark FHA provides lenders with two key benefits:

- 1) An FHA Qualification Assessment. This enables automated checks against loan limits by county, HUD exclusionary lists and many other qualification checks that lenders do manually today. Automating these checks dramatically improves loan processing efficiency, allowing a lender to improve their overall cost basis of underwriting.
- 2) A Precise Risk Score assessing the likelihood of delinquency and default from fraud. This enables lenders to perform pre-funding fraud reviews on a small targeted sample of applications

(less than 10-15%) which will contain the majority of all fraud risk within the applications submitted. This allows lenders to quickly fund the majority of loans with confidence.

BasePoint's FraudMark FHA solution was built specifically using historical FHA loans and identifies subtle and unique patterns of default and delinquency within FHA loan originations. BasePoint's FraudMark FHA provides lenders with an instant view into the ability for a borrower's application to qualify for an FHA loan as well as a comprehensive solution to alert them to all types of fraud. A comprehensive report is provided to a lender for each mortgage loan application. The report includes:

- An Instant Qualification Assessment
- A statistically accurate Fraud Score
- An Income Misrepresentation Assessment
- Integration into BasePoint's automated Income Verification Service (4506T) through the IRS
- An Employment Misrepresentation Assessment
- A Property Valuation Assessment
- An Occupancy Misrepresentation Assessment
- An Identity Misrepresentation Assessment
- Insider Fraud Assessments

About BasePoint

BasePoint Analytics is a leading provider of predictive analytic fraud and risk management solutions for global banks, the mortgage industry and consumers. Using proprietary pattern-recognition technology, BasePoint quickly identifies potentially fraudulent or high risk activity, minimizing losses while accelerating the processing of low risk transactions. The company's risk experts have deep, real-world domain expertise and have successfully solved fraud and risk challenges for many high profile institutions. BasePoint works with industry-leading customers in mortgage origination, mortgage investors, banking, payment cards and consumer services. BasePoint clients achieve dramatic improvements in fraud and loss detection performance using a predictive analytic approach rather than traditional methods. BasePoint is headquartered in Carlsbad, California. For more information, visit www.basepointanalytics.com or call 1.760.602.4971.