

## **NCEN Benefits From Fraud System**

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IRVINE, CA -- New Century Mortgage here reports getting exponential benefits from its new fraud detection system, the FraudMark tool offered by BasePoint Analytics. In fact, even before being completely integrated with its loan origination system, said New Century EVP Terry Theologides, FraudMark "has practically paid for itself."

Whereas most mortgage fraud-detection systems simply offer "data verification on steroids" to kick out loans that have typos and minor anomalies as well as ones with really suspicious traits, he stated, FraudMark singles out "the loans that have characteristics of fraud" serious enough to cause actual financial loss.

New Century is the first big mortgage lender to deploy FraudMark in a production setting to work in concert with its existing anti-fraud measures.

While the FraudMark tool is in process of being embedded in the workflow of New Century's loan origination system, FraudMark has been "bolted on" to examine the loans in New Century's very robust database. So far the results have been dazzling, said Mr. Theologides. The number of questionable loans on the spreadsheets e-mailed to New Century's 30 fraud risk managers across the country have been reduced to a small fraction. No longer do those fraud managers have to plod through hundreds of good loans to get to the really suspicious ones.

The lenders that get comparable results will be those that, like New Century, retain a rich fund of loan information to make the FraudMark analytics hum, said Mr.

Theologides. "The real power is in the input." He said he's curious to see "where BasePoint goes next with this, what they will layer onto this core offering they have." After proving out its model with credit and debit cards, BasePoint Analytics, Carlsbad, Calif., brought out FraudMark as "the only mortgage-specific fraud solution in the world today that uses pattern recognition to pinpoint where fraud is hiding."

While credit card issues have achieved a 70% reduction in fraud via pattern recognition analytics, estimates BasePoint president Tim Grace, mortgage fraud has grown at a rate of 140% per year over the past three years, at a cost to mortgage lenders and their customers somewhere between \$1 billion and \$3 billion annually. "Banks paved the way for mortgage lenders in the fight against fraud," Mr. Grace stated. "Our experts have helped some of the highest profile global banks keep a lid on fraud.

Now, we're applying that expertise and technology to the mortgage industry." He said one in every 250 mortgage loans contains some element of fraud that will result in financial loss to the lender. He noted that up to 40% of early payment defaults include material misrepresentation on the application that could have been detected before the loan was funded.

Card losses were running at about 18 basis points, recalled Mr. Grace. After implementation of pattern recognition analytics, the loss rate dropped to 6%. "We see no reason why the mortgage industry can't get the same results," he said, "especially after seeing the results at New Century." (c) 2006

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