

NEWS RELEASE

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Mortgage Lenders Wage Aggressive Counter Attack on Fraud

BasePoint Helps Lenders Leverage Advanced Technology and Lessons from Banks to Effectively Solve Fraud and Keep Mortgages Affordable

Carlsbad, Calif. – March 6, 2006 – BasePoint Analytics, a leading provider of scientific fraud scoring software and expert services, today revealed how it is helping mortgage lenders benefit from lessons learned in fighting credit card fraud to effectively combat rapidly escalating mortgage fraud attacks. By applying those lessons and customizing the technology for the mortgage industry, BasePoint is helping mortgage lenders shortcut the learning curve and immediately prevent fraudsters from committing their crimes successfully. As a result, BasePoint customers are keeping their mortgage offerings more affordable.

In the past, banks were the target of choice for fraud-minded criminals hoping to remain hidden beneath the large volume of checks and payment card transactions. To combat fraud, banks went through a 4-step fraud solution evolution spanning thirty years. Those steps included:

- 1) Reactive Investigations – investigating customer reports & tips from other institutions and law enforcement officials
- 2) Exception Reporting – using computers to track common indicators of risk such as number and amount of transactions in a day
- 3) Analytical Prevention – using advanced scientific pattern recognition software to provide early warnings of fraud
- 4) Optimized Fraud Sciences – optimizing scores and rules to obtain the greatest profit while keeping fraud to a minimum

The result of this significant investment by banks in finding effective solutions is a 70% reduction in credit card fraud.

Today, sophisticated fraudsters have expanded their focus to include mortgage lenders where complex underwriting processes and a competitive lending market enable them to steal money on a much larger scale. Making the problem even more challenging, mortgage fraudsters are colluding with brokers, appraisers, closing agents, straw buyers and even internal operations groups to achieve their goals. Insightful lenders are turning to BasePoint to help them leapfrog steps two and three in the fraud solution evolution and keep fraud in check.

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“One of our primary business goals is to keep the American dream within reach of every New Century and Home123 customer by offering affordable mortgages,” said Terry Theologides, Executive Vice President of Corporate Affairs and General Counsel of New Century Financial Corporation. “Since fraud adds costs to any operation, we have aggressively implemented protective measures to minimize those costs in the face of escalating fraud attempts. More importantly, BasePoint assists us in monitoring our brokers and appraisers to help us make sure they are adhering to our ethical standards. With BasePoint in place, we’re able to predict fraud with amazing accuracy and eliminate much more of it before it happens.”

Fraud is considered any material misrepresentation which leads to a financial loss to the institution whether through default, repurchase, or even discounting in the secondary market. According to BasePoint estimates, mortgage fraud has grown at a rate of 140% per year over the past three years, costing mortgage lenders and their customers between \$1 and \$3 billion annually. One in every 250 mortgage loans contains some element of fraud that will result in financial loss to the lender. And up to 40% of early payment defaults include material misrepresentation on the application that could have been detected before the loan was funded.

“Banks paved the way for mortgage lenders in the fight against fraud,” noted Tim Grace, president of BasePoint Analytics. “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 and have already helped customers reduce their fraud loss by as much as 65%. FraudMark is the only mortgage-specific fraud solution in the world today that uses pattern recognition to pinpoint where fraud is hiding.”

BasePoint’s FraudMark uses patent-pending neural network technology that combines two unique and highly effective approaches for finding fraud: behavior history for applicants, brokers, appraisers, loan officers and other entities and historical patterns of both fraudulent and non-fraudulent loan applications. FraudMark also enables the lender to score loan applications multiple times during the loan origination process as additional information is accumulated. When combined with industry best practices in loan review processes and strategies, underwriters and risk managers now have the ability to review and verify only the highest scoring loans, allowing the majority of loans to be quickly and securely funded. As a result, FraudMark provides a much higher degree of predictiveness, precisely identifying which applications have the greatest risk of fraud. As a result, FraudMark helps mortgage lenders cost-effectively score loan applications in real-time, drive down fraud losses and increase overall production.

About BasePoint

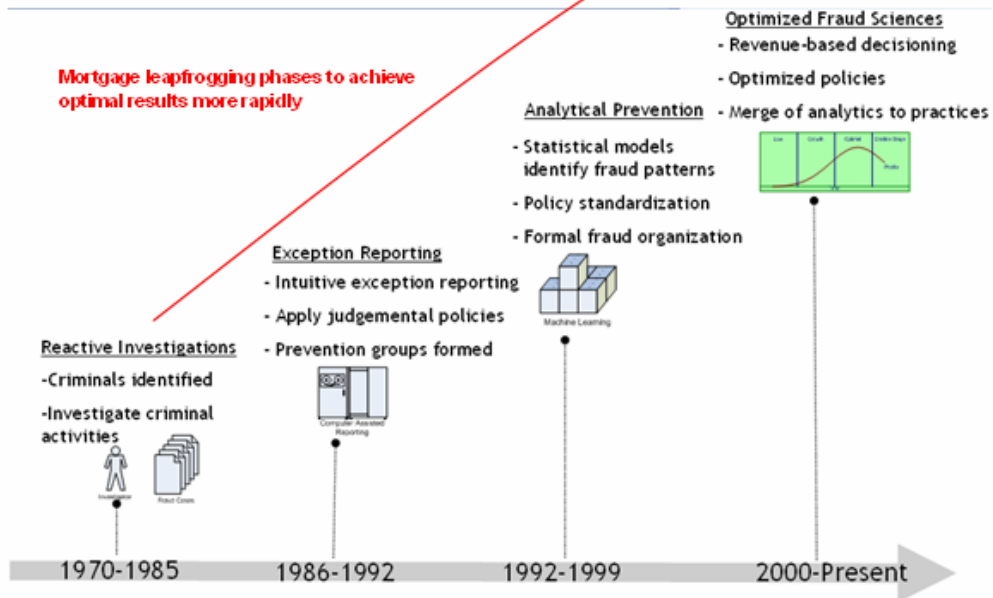
BasePoint Analytics offers a unique combination of scientific fraud scoring software and expert services. Using sophisticated predictive analytics, BasePoint enables banks and mortgage lenders to quickly identify fraudulent transactions early in the process, minimizing fraud loss while accelerating the processing of non-fraudulent transactions. The company’s fraud experts have deep, real-world domain expertise and have successfully solved fraud for some of the highest profile banks and lending institutions in the world. For more information about BasePoint, visit www.basepointanalytics.com or call 760.602.4971.

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Evolution of Credit Card Fraud Prevention

Mortgage leapfrogging phases to achieve optimal results more rapidly



Source: BasePoint Analytics