

The San Diego Union-Tribune.

FRIDAY
November 17, 2006

People to watch: Tim Grace

A conversation with key players in San Diego's technology and life sciences industries.

Title: Co-founder, president and chief executive

Company: BasePoint Analytics

Location: Carlsbad

Age: 38

BasePoint Analytics was founded in 2004 to provide fraud detection software for the mortgage and banking industries. The FBI has estimated that mortgage fraud losses topped \$1 billion last year, a statistic that BasePoint believes significantly underestimates the problem. The company was founded by former executives at HNC Software, which was acquired by Fair Isaac in 2002 for \$810 million. First American Real Estate Solutions is a minority investor in the company.



So you have your roots at HNC?

The three founders came out of HNC, and quite a few employees have HNC or Fair Isaac experience. Many took other jobs after their HNC/Fair Isaac employment prior to coming to us.

Is what BasePoint is doing different from what HNC/Fair Isaac does?

Actually, we tried to emulate the culture from HNC that got a little lost when there was an acquisition of HNC by Fair Isaac. So we started up BasePoint to create innovative fraud solutions for the banking and mortgage industry. It wasn't very different from what HNC was doing. However, it was different from what Fair Isaac was doing.

Tell me what you do.

When we started the company, we looked for business problems that didn't already have a solution. So we weren't trying to replace a solution that HNC or Fair Isaac brought to market. Our product, FraudMark, looks at all aspects of the mortgage application. It will look at all the information filled out by the customer. It will look at the broker involved. It will look at the appraiser, as well as the loan officer and any other entity involved.

What it looks for are things that have been known to be fraudulent in the past, as well as the behavior of the broker, the appraiser the loan officer, to see if anything has changed from recent activity they were submitting in terms of applications.

Why is that important to mortgage originators?

There are a lot of applications submitted on a daily basis, and you want to get a loan through and get it funded as soon as possible. So you want the process to be efficient. What our analytics do is look at the loans very, very quickly and sort out the riskier loans for the mortgage companies to review.

The originators have to stand behind the loans they sell on the secondary market, and they are obligated to repurchase any loans that are found to be fraudulent.

What type of fraud do you see most?

It ranges from property fraud where the property either doesn't exist or is overvalued in what is submitted to the lender. There is also a large portion of mortgage fraud that is income fraud, where income is overstated or income documents are modified. We have seen some identity theft. We also have seen employment fraud, where employment documents are either modified or that employer doesn't exist. And then there's occupancy fraud, where the buyer says they're going to occupy the property and in fact they are not.

What about your job keeps you up at night?

I tend not to stay awake at night unless something is going horribly wrong, so I tend to sleep very well because the company had some founding principals that we've been able to hold to: Treat the customer right, provide value-added solution to the customer that they see the value in, and treat your employees as respected professionals. I think, as a company, we're doing all those things very well.

– MIKE FREEMAN