



BasePoint EPD™ Alert

Mortgage delinquency rates hit 5.82% in Q4 2007, up 87 basis points from the prior year. Likewise, foreclosures are 2.04% at end of Q4, up 85 basis points over last year.

Source: MBA National Delinquency Survey 3/6/08

BasePoint EPD Alert Overview

Based on challenging market conditions, mortgage lenders and investment banks are demanding much more sophisticated analytic solutions to address the rapid increase in early payment default (EPD). In response to that demand, BasePoint has introduced BasePoint EPD™ alert, a revolutionary new EPD detection product that enables the mortgage industry to:

- Cost-effectively score all mortgage applications and loans in real-time to identify high EPD risk
- Drive down EPD losses
- Maintain or improve production volume and speed
- Improve quality of loan portfolios

Superior Mortgage EPD Risk Protection

Risk management tools in the mortgage industry today are primarily traditional credit risk scores and database validation tools that use comparisons between application information and third-party data sources to identify data inconsistencies. While these tools may have once been sufficient, the recent rise in mortgage delinquencies and defaults indicate a need for more effective solutions.

To combat this trend of increasing early payment default, EPD alert uses patent-pending pattern recognition technology to find early payment default risk based on historical patterns of both performing and non-performing loan applications from the BasePoint Mortgage Consortium of over 6 million loans.

When combined with industry best practices in loan review processes and strategies, underwriters and risk management personnel now have the ability to review and verify only the highest scoring loans, enabling the majority of loans to be quickly and securely funded, sold and purchased. EPD alert provides a much higher degree of predictiveness, which precisely identifies which applications have the greatest risk of early payment default. BasePoint EPD alert can be used independently or in conjunction with BasePoint's market leading FraudMark® score to identify both mortgage fraud and EPD risk prior to funding or loan purchase.

Specifically Tailored for Mortgage EPD risk

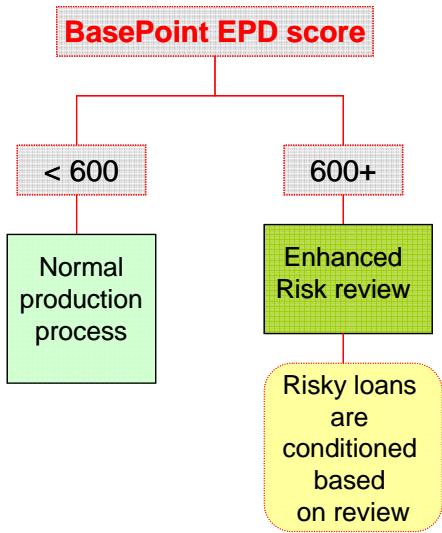
BasePoint EPD alert was developed to detect early payment default risk for the following participants in the mortgage industry value chain:

Originators

EPD alert helps mortgage lenders identify which loan applications are most likely at risk for EPD, and out-sorts those loans for manual review and additional data verification, as needed. Lenders score all new applications with EPD alert, and select the highest scoring 10% - 15% of applications for further review. EPD alert provides both a risk score and specific risk indicators which are the strongest contributors to the risk. A risk category and comparative percentiles for loan parameters are also provided to help guide and expedite the investigative process. In recent lender tests, BasePoint EPD alert detected 40% -50% of the EPD loss with only a 10% review rate, surpassing credit score detection by more than double.



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Investment Banks

BasePoint EPD alert also helps investment banks assess overall EPD risk in a given loan pool, identifying high risk loans that should be selected for due diligence review during the purchase process. EPD alert accurately predicts risk using only those loan characteristics typically available on a bid tape. EPD alert is an analytic solution that provides a highly targeted, predictive approach to selecting the right samples for the due diligence portion of the loan purchase process. EPD alert augments existing credit, fraud, compliance and collateral tools. BasePoint EPD alert can be used in conjunction with the FraudMark score to select the highest risk loans for additional review.

Dramatically Reduce Costs

By predicting EPD risk before it happens, mortgage lenders and investment banking firms can significantly cut their losses and increase the quality of their loan pools. EPD alert is the only solution that leverages the analytic advancements of the credit card industry, which has driven down fraud losses by nearly 70%. In addition to helping dramatically reduce EPD losses, EPD alert helps control operational costs by minimizing the need to retrieve expensive third-party data to validate loan information. This mortgage-specific risk score will move the mortgage industry to state-of-the-art in predictive risk analytics.

Improve Internal Processes

The BasePoint EPD alert solution includes model performance reports that show levels of risk detection in number of loans and dollar value, and the percentage of applications/loans that need to be reviewed at each score level. This provides mortgage originators and investment banks with the ability to set and change staffing, real-time decision criteria, and risk tolerance levels based on their individual risk management and production goals.

The analytic advancements of the BasePoint EPD alert enable mortgage lenders and investment banks to go beyond traditional risk management tools and processes and cost effectively score all mortgage applications and loans to understand early default risk at the individual loan and portfolio levels. During both the loan origination and purchase processes BasePoint EPD alert quickly and accurately predicts which applications, loans and pools of loans have the highest risk of early payment default. When used with the FraudMark score, clients can easily implement a cascading risk management solution to provide a comprehensive prediction of risk.

With BasePoint's seamless integration into loan origination systems and secondary market review processes, EPD risk evaluation can now be easily integrated into real-time decision flows.

BasePoint

Science Solving Fraud™

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