



Solutions & Services for Investment Banking

“FraudMark produces extremely accurate and quantifiable fraud predictiveness.”

Ben Graboske
CTO
First American CoreLogic

science.solving.fraud™

FraudMark™ for Investment Banking

Due to changing market conditions, investment banks are demanding much more sophisticated analytic solutions to address the risk of mortgage fraud and its impact on the performance of Mortgage-Backed Securities (MBS). In response to that demand, BasePoint Analytics introduced FraudMark™ for Investment Banking, a revolutionary new fraud detection solution that enables investment banks to:

- Cost-effectively score loans during the preliminary evaluation and bidding process
- Select the best samples for fraud review during due diligence
- Improve performance of securities by driving down losses that result from fraudulent activity

Superior Mortgage Fraud Protection

FraudMark uses predictive analytic scoring technology to identify suspicious mortgage loans, enabling investment banks to quickly score and identify each loan's fraud risk before it is purchased, during the pool evaluation, driving the due diligence review process. FraudMark is a complementary solution to credit, collateral and compliance risk tools, addressing fraud risk during the trading process.

Many traditional products used to identify mortgage fraud are database validation tools that use comparisons between application information and third-party data sources. The analytic advancements of FraudMark enable investment banks and due diligence firms to go beyond traditional tools and processes to cost effectively score loans and understand true fraud risk at the individual loan and portfolio pool levels. During the loan purchase process FraudMark quickly and accurately predicts which loans and pools of loans have the highest risk of fraud.

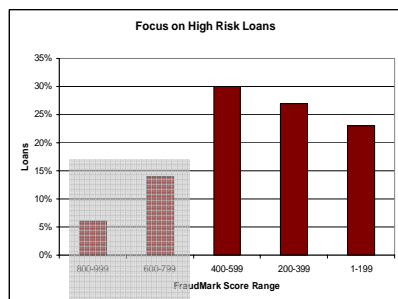
FraudMark uses patent-pending pattern recognition technology to find fraud, based on historical patterns of both fraudulent and non-fraudulent loan applications. This predictive model accurately determines the likelihood of a loan containing fraud that will result in financial loss to the investor.

Using limited bid tape data, FraudMark enables investment banks to decrease fraud risk in their investment portfolios by automatically assessing the fraud risk in a total pool of loans available for sale, as well as identifying the fraud risk of individual loans so that those with the highest associated fraud risk can be selected for further investigation during the due diligence process.

Investment banks send BasePoint the trade files and BasePoint scores each loan for risk of fraud. A higher fraud score (scale 1 – 999) indicates an increased risk of fraud, and the need to review the file during the due diligence process. These trade files are consistently scored and returned in under 24 hours.

BasePoint also scores existing loan portfolios to determine the level of fraud risk in loans already purchased. High scoring loans can be proactively reevaluated through due diligence to validate whether fraud is apparent and thus potentially trigger a repurchase request. This enables investment banks to proactively identify fraud risk in existing securities in an effort to detect and prevent potential financial loss before significant delinquency occurs.

Solutions & Services for Investment Banking



Select only highest risk loans for due diligence

Enhanced Fraud Review

In addition to providing investment banks with market leading fraud scoring, BasePoint has also introduced an Enhanced Fraud Review that has been integrated with four leading due diligence firms. The Enhanced Fraud Review service includes both training and a dynamic, guided fraud review process to enable both investment banks and due diligence companies to more effectively and efficiently catch fraud. The guided review process intelligently adapts the flow of the investigation, based on fraud review best practices and the outcome of early stages of the evaluation. Enhanced Fraud Review equips banks and due diligence firms to take advantage of analytic technology, and perform the most effective review on high-risk loan files to confirm fraud early. Enhanced Fraud Review clients have achieved up to 400 percent increases in productivity and have enjoyed a substantial increase in confirmed fraud savings.

Recent Case Study Results

With the past six months, FraudMark for Investment Banking has identified almost \$1 billion in projected fraudulent loan value for investment banking clients alone. Working in concert with our due diligence partners over \$300 million of these high risk loans have been confirmed as fraud and rejected from their respective purchase pools. The combination of the FraudMark score and the Enhanced Fraud Review process yields very low false-positive rates. False positives are loans that score high but are not confirmed to be fraud. False positive rates vary based on several factors, including loan program, and FraudMark consistently performs well. Some portfolios have false positive rates as low as 1:1, meaning that for every 2 loans reviewed, one is confirmed to be fraud. On average, FraudMark for Investment Banking delivers false positive rates of less than 5:1, which is many times lower than traditional methods.

Dramatically Improve Results

By predicting fraud before it happens, investment banking firms can significantly reduce fraud losses and increase the quality of their securities. FraudMark is the only solution to leverage the analytic advancements of the credit card industry, which has driven down fraud losses by nearly 70%. BasePoint helps companies pin-point those mortgage loans where fraudulent misrepresentations are most likely to exist using our market leading FraudMark™ scoring solutions. Then, using the Enhanced Fraud Review, due diligence firms are guided through an intelligent process for investigating high risk applications, vetting out the actual misrepresentations and thus preventing fraud from slipping through in the loan trading process.