



# Watch Suite

“We have rigorous criteria for our brokers, and we hold them accountable to the highest standards of ethics.”

Barbara Mallott  
Senior Vice President and  
Director of Quality Assurance  
Aegis Mortgage Corporation

## Watch Suite Overview

Mortgage fraud can be committed by a variety of parties involved in the loan origination process. BasePoint's FraudMark™ patent pending fraud detection solution identifies fraudulent loans before they are funded. Fraudsters, however, continue to find ways to escape detection, and additional views into the loan portfolio can highlight unseen fraud risk. BasePoint's Watch Suite was created to provide a complementary view of fraud risk and patterns across loans.

## BrokerWatch™

BrokerWatch™ is a risk analysis based on a proprietary fraud score designed to assess mortgage broker risk. BrokerWatch was developed in response to demand for products and services to help curtail the growing multi-billion dollar mortgage fraud problem; broker-facilitated fraud presenting the most serious risk. Due to the high number of brokers, reviewing each broker's loans is an overwhelming task for most. BrokerWatch uses predictive analytics to simplify the identification of risky brokers by producing a broker risk score, enabling focus of investigative resources on those brokers contributing the highest risk applications. By being proactive with researching and monitoring brokers, users can reduce fraud, early payment default, repurchase, and discount sales.

Using sophisticated technology, BrokerWatch produces a predictive risk score along with comprehensive detail on broker behavior and loan performance, in an interactive analytic tool that enables drill down into the detail on loans originated by specific brokers. A search capability highlights key broker risk measurements. The software also provides an intelligent way to update a broker watch list, perform directed audits and identify profitable brokers.

HIGHEST Risk Brokers - Top 10					
Criteria:	Approved Status, =>10 Loans				
Sort:	BrokerWatch™ Score				
BrokerWatch™ Score	Broker No.	Company Name	Total Loans	% Fraud	% EPD
965	95322	CONCLAVE Finance Co.	73	7.0%	3.5%
959	28599	SPINSTERS Homes Inc.	18	25.0%	0.0%
949	84931	Gomer Bell Mortgage LLC	15	0.0%	20.0%
947	106385	VISITS Housing	32	0.0%	0.0%
946	88589	DEPOT Housing	24	0.0%	0.0%

The analytic assessment by BrokerWatch gives lenders the tools to assess brokers, enabling them to reward the best performing brokers and minimize fraud by taking action on the brokers generating risky applications. BasePoint's extensive analysis shows that underwriters focusing on the riskiest brokers can substantially reduce their incidence of fraud and payment default.

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## PatternWatch Case Study #1

**Findings:** Common Employers

- Employers, all service companies, share last name of borrower on 75% of loan group

- Stated income inflated

**Prevented Loans: 12 @ \$3.1 MM**

## PatternWatch Case Study #2

**Findings:** Non-Disclosed Non-Arms Length

- Falsified income

- Falsified employment

- Straw buyers

**Prevented Loans: 35 @ \$8.1 MM**

## PatternWatch™

As fraud perpetrators create new methods to escape fraud detection, or move to new locations, originators and investment banks are vulnerable to losses given the difficulty to detect these behavior patterns. BasePoint's PatternWatch helps detect fraud schemes early, delivering actionable reports. PatternWatch is a fraud prevention service that uses pattern recognition techniques and fraud detection expertise to monitor loans, both pre and post funding, and identify subtle fraud patterns as they emerge in a portfolio.

PatternWatch uses BasePoint's advanced link analysis software and fraud detection experts to analyze historical data and current pipeline or funded loans, identifying patterns to reveal hidden, organized fraud schemes such as:

- Income and Employment Misrepresentations
- Falsified Verification of Rent
- Non-Disclosed Non-Arms Length
- Straw Buyers
- Occupancy Fraud

PatternWatch enables clients to cost-effectively leverage BasePoint's pattern recognition software and team of experienced fraud data analysts and investigators to identify serious fraud schemes occurring in their portfolio. Monitoring loans on an ongoing basis, patterns are identified quickly, often enabling suspicious loans to be stopped pre-funding or before an early payment default. Actionable reports include:

- 1) Pattern Analysis Report – summarizes a specific fraud trend:
  - a. Loan Statuses
  - b. Involved Parties Information
  - c. Fraud Pattern Description
  - d. Recommended Actions
  - e. Fraud Statistics
- 2) Suspicious Loan Detail – detailed information on loans in the pattern

Fraud trends can be discovered across portfolios based on a "consortium" of data, not just the client's own information. For example, the use of fraudulent employers and third parties can be identified across portfolios.

PatternWatch provides a speedy return-on-investment. In some cases, discovery of a single fraud trend has provided payback for the service instantly. Some clients have achieved millions of dollars in savings during their first week using PatternWatch.