



fraudGUARD[®] Insurance

Guarantee better loans.



Program Aims

- Raise loan origination quality benchmark
- Provide reliable alternative to borrower fraud reps/warrants
- Increase liquidity for loan sales
- Achieve preferential loan sale terms
- Reduce exposure to losses from borrower fraud
- Engage best in class risk management solution



Purchasing process

- Application data provided to price insurance
- Indication provided with single cost per loan for all loans originated during policy period
- Limit per loan / Aggregate limit per originator



What does policy cover

- Covered loans - residential loans scored > 600 using Interthinx[®] fraudGUARD[®]
- Originated during 12 month policy period
- Losses up to \$100,000 per loan subject to originator aggregate limit
- Claims arising from foreclosure initiated within 3 years of origination, or “scratch and dent” loss, where borrower fraud occurred in original application
- No requirement for repurchase - investor/servicer can claim directly against policy



Key terms

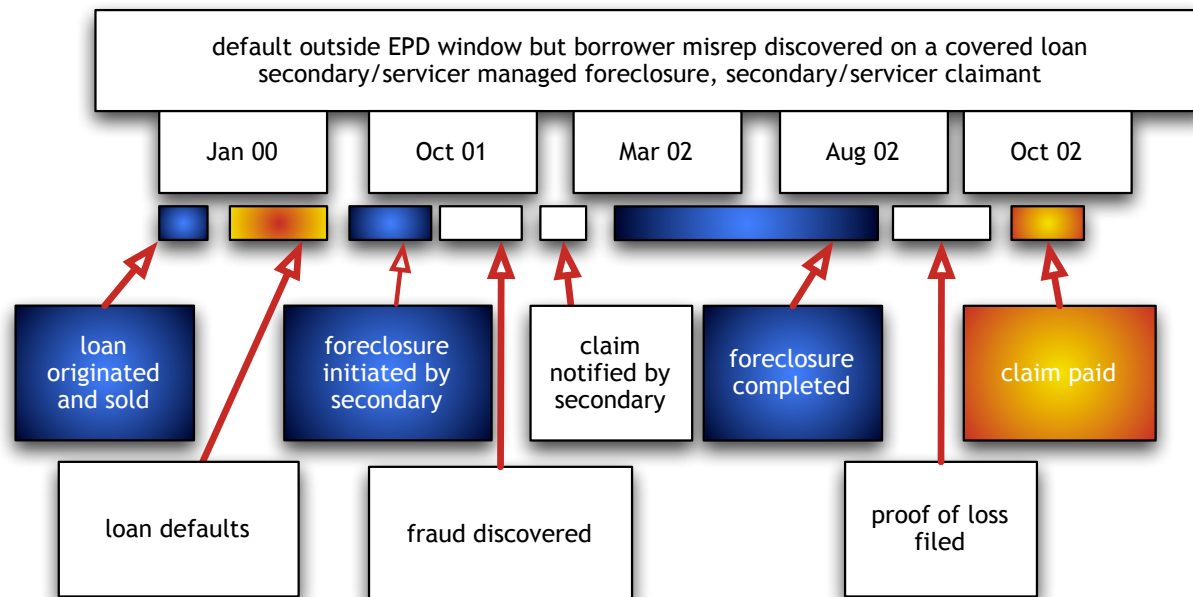
- Loss - the deficit associated with the loan following foreclosure - inter alia - unpaid principal balance less amounts collected from sale of property or agreed valuation. Also can be difference between original sale price and best execution sale price in scratch and dent.
- Fraud - deliberate misrepresentation of information in the application (by the borrower)
- Coverage window - time available to bring a claim - 3 years from month of loan origination
- Insured (“You”) - original insured and any successor in rights, title and interest in the mortgage (i.e. secondary purchasers)



Risk Management

- 600 + score threshold = “low risk” of default as a result of borrower fraud on all loans
- Ensures appropriate due diligence performed on all loans originated
- Specialist operational risk management review of origination practices funded by insurers to ensure best practice employed

Claim example



- Loan originated and sold
- Borrower defaults
- Foreclosure initiated
- Misrep discovered in file review
- Claim notified by secondary*
- Foreclosure completed
- Proof of loss filed
- Claim paid directly to secondary*

** foreclosure and claim collection managed by servicer on behalf of investor as per MI claims.*



Security

- Consortium of Lloyd's of London syndicates
- Min A rated (AMBest) capacity, selected for expertise and claims paying ability



Originator Benefits

- Increased liquidity
- Preferential loan sale pricing
- Reduced repurchase exposure
- Released capital from loss reserves
- Potential reduction in investor net-worth requirements
- Low claims bonus if performance exceeds expectations



Comparison to alternatives

- More capital efficient than loss reserves
- Clearly defined coverage
- Transparent pricing
- No excess
- Reliable claims payment
- Straightforward risk management