

Loan Level, automatically transferable mortgage fraud insurance

Program Aims

- Improve loan origination quality
- Increase liquidity for loan sales
- Achieve preferential loan sale terms
- Reduce exposure to losses from borrower fraud

What does policy cover ?

- Any residential loans scored > 600 using Interthinx® FraudGUARD®
- Loans originated during 12 month policy
- Losses up to \$100,000 per loan
- Claims arising from foreclosure **initiated** within 3 years of origination, where borrower fraud occurred in original application

Risk Management

- Industry leading fraud detection software integrates with lender's LOS
- 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 free third party review of origination practices to ensure industry best practice employed

Purchase process

- Application data provided to price insurance
- Indication provided with single cost per loan across all product types
- Limit per loan / Aggregate limit per originator
- Premium payable monthly based on loans closed

Key terms

- **Loss** - deficit associated with the loan following foreclosure - inter alia - unpaid principal balance less amounts collected from sale of property or agreed valuation
- **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)

Security

- Consortium of A rated international insurance capacity
- Selected for claims paying ability / willingness
- Managed by London based Lloyd's coverholder to ensure appropriate alignment of interest / claims payment

Investor Benefits

- Reduced cost of "re-screening"
- Independent due diligence guaranteed
- Reduced warehouse "on-the hook" risk
- Reduced reliance on reps/warrants
- Better performing / higher rated loan pools
- Capital efficient
- BASELII compliant policy structure - non cancellable/3 yr cover

Originator Benefits

- Visibility of risk management best practice
- Increased liquidity
- Reduced repurchase exposure
- Discounted MBB premium
- Preferential loan sale pricing
- Released capital from reduced loss reserves
- Removal of investor net-worth requirements
- Low claims return premium

Comparison to alternatives

- Borrower fraud excluded by MI / MBB
- No excess
- More capital efficient than loss reserves
- Clearly defined coverage
- Transferable without notification requirement
- Transparent pricing
- Reliable claims payment
- Straightforward risk management