

US Residential Mortgage Special Report

The Impact of Poor Underwriting Practices and Fraud in Subprime RMBS Performance

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Related Research

- “Drivers of 2006 Subprime Vintage Performance,” dated Nov. 13, 2007.
- “Resilogic: US Residential Mortgage Loss Model — Amended,” dated Aug. 14, 2007.

■ Summary

Residential mortgage-backed securities (RMBS) issued in 2006 and 2007, backed by pools of subprime mortgages, are substantially underperforming initial performance expectations, resulting in ratings downgrades and heightened risk of principal loss. As anticipated in Fitch’s rating criteria, falling home prices are a fundamental source of poor performance. However, the 2006 subprime vintage performance is remarkable for the magnitude of early mortgage defaults. Fitch attributes a significant portion of this early default performance to the rapid growth in high-risk “affordability” features in subprime mortgages. The interaction of home price declines and high risk products in 2006 vintage subprime performance is analyzed in Fitch’s special report “Drivers of 2006 Subprime Vintage Performance,” dated Nov. 13, 2007. In addition to the inherent risk of these products, evidence is mounting that in many instances these risks were not controlled through sound underwriting practices. Moreover, in the absence of effective underwriting, products such as “no money down” and “stated income” mortgages appear to have become vehicles for misrepresentation or fraud by participants throughout the origination process.

Fitch believes that much of the poor underwriting and fraud associated with the increases in affordability products was masked by the ability of the borrower to refinance or quickly re-sell the property prior to the loan defaulting, due to rapidly rising home prices. With home prices now falling in many regions of the country, many loans that would have paid off in prior years remain in the pool and are more likely to default. BasePoint Analytics LLC, a recognized fraud analytics and consulting firm, analyzed over 3 million loans originated between 1997 and 2006 (the majority being 2005–2006 vintage), including 16,000 examples of non-performing loans that had evidence of fraudulent misrepresentation in the original applications. Their research found that as much as 70% of early payment default loans contained fraud misrepresentations on the application.¹ For additional information on measuring fraud within the industry, refer to Appendix A on page 9.

As Fitch sought to explain the poor performance of this vintage, we examined the impact of high risk collateral characteristics and rapidly declining home values. The underperformance was not fully explained by these factors, suggesting that other factors such as fraud might be playing a significant role. This was supported by the results of a file review conducted by Fitch on a small sample (45 loans) of early defaults from 2006 Fitch-rated subprime RMBS, many of which had apparently strong credit characteristics such as high FICOs, as outlined in the Characteristics table on page 2.

Fitch's review of these files indicated that these loans suffered in many instances from poor lending decisions and misrepresentations by borrowers, brokers and other parties in the origination process. High risk products, which require sound underwriting and which are easy targets for fraud, account for some of the largest variances to expected default rates. It is not possible to confidently make a broad statement of how pervasive these problems are across the range of originators and issuers in Fitch's rated portfolio based on such a small sample of loans. However, given the combination of our review of historical loan performance, the pervasive problems indicated in the file review, and the findings of third-party reviews, Fitch believes that poor underwriting quality and fraud may account for as much as one-quarter of the underperformance of recent vintage subprime RMBS.

Characteristics of Small File Sample

# of Loans	45
Average FICO	686
Average Combined LTV Ratio	93
% California Properties	49
% Low/No Doc	69
% 2nd Lien	60

LTV – Loan-to-value. Source: Fitch.

In order to better understand the nature and impact of poor underwriting and fraud on subprime RMBS performance, Fitch analyzed a targeted sample of early defaults from 2006 Fitch-rated subprime RMBS. Fitch's findings from this review include:

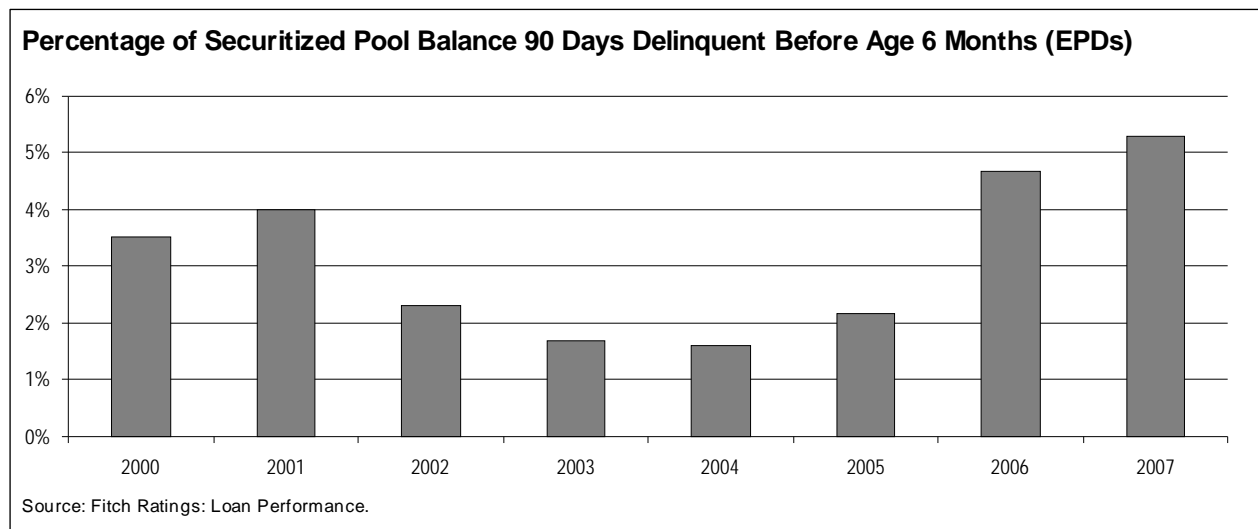
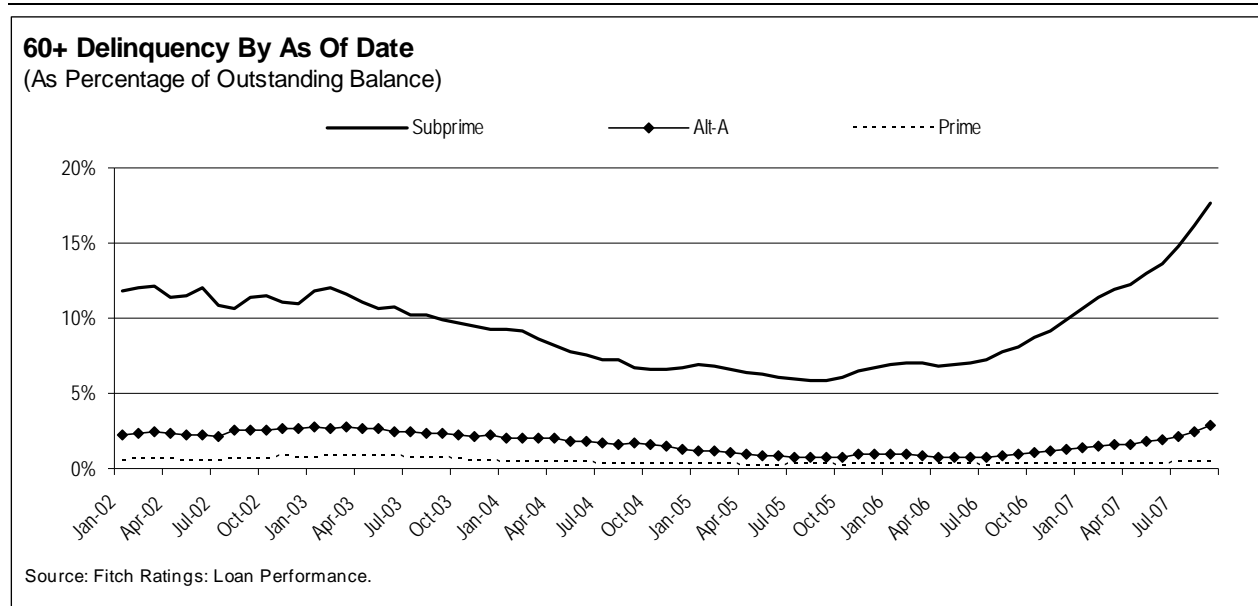
- Apparent fraud in the form of “occupancy misrepresentation.” The borrower's stated intent was to occupy the property, but there is evidence in the loan files that this did not occur, and that it is likely that occupancy was never the true intent of the borrower.
- Poor or lack of underwriting relating to suspicious items on credit reports. The loan files of borrowers with very high FICO scores showed little evidence of a sound credit history but rather the borrowers appeared as “authorized” users of someone else's credit.
- Incorrect calculation of debt-to-income ratios.
- Poor underwriting of “stated” income loans for reasonability of the indicated income.
- Substantial numbers of first-time homebuyers with questionable credit/income.
- In one instance, acknowledgement by the borrower of being the “straw buyer” in a property flipping scheme.

Fitch recognizes that, even in good quality pools, there will be some loans that default. However, when some pools of subprime mortgages have very high projected default rates, it is important to understand the impact that loans originated with poor underwriting practices and fraud can have. Moreover, Fitch intends to utilize the insights from its review to improve the RMBS rating process. Fitch believes that conducting a more extensive originator review process, including incorporating a direct review by Fitch of mortgage origination files, can enhance the accuracy of ratings and mitigate risk to RMBS investors. Fitch will be publishing its proposed criteria enhancements shortly. Additionally, a more robust system of representation and warranty repurchases may be desirable.

In order to better detect and prevent poor underwriting and fraud, a combination of technology and basic risk management is needed before, during and after the origination of the loan. In this report, Fitch discusses some of the more obvious examples of evidence of fraud found in loan files, along with some of the steps that could identify the fraud at the earliest possible stage, ideally before the loan is funded. There are several effective fraud indication tools available today to the originator/issuer and servicer; however, it is important to acknowledge that no process or tool can identify all instances of misrepresentation or fraud.

■ Lack of Disciplined Underwriting Increases Defaults and Allows Fraud

Increased risk caused by operational weaknesses oftentimes is not apparent in the collateral characteristics, but rather, manifests itself in the pool performance. As detailed in Fitch's criteria report, “ResiLogic: US Residential Mortgage Loss Model — Amended” dated Aug. 14, 2007, Fitch derives base frequency of foreclosure and loss severity, and therefore expected base case loss amounts, using each loan's disclosed risk attributes. These attributes include loan-to-value (LTV), combined loan-to-value (CLTV) and FICO scores, which are historically the primary drivers of default risk, with loan purpose and occupancy as secondary drivers of default risk. However, additional risk caused by inaccurate data and/or fraudulent or misrepresented factors could materially affect the performance of



pools. Losses are more likely to be low if the originator consistently applies underwriting policies and guidelines, and has adequate quality control procedures, sufficient technology, and/or has risk management processes that are well developed and applied. For example, an inadequate appraisal quality review program is a significant risk factor since the valuation determines LTV. In most cases, the lack of an appropriate valuation at origination may not be evident until the borrower defaults on the loan or attempts to sell/refinance the property.

There is a distinction between inaccurate data provided by the originator/issuer to investors, and others who rely on the data, including Fitch, and data, which is technically accurate, but does not actually reflect the true credit risk due to poor underwriting, quality control, or property valuation. Fitch believes that data, which is correct but inaccurately reflects the credit risk (e.g., stated income was not reasonable), is a larger component of underperformance than data integrity issues (e.g., debt-to-income ratios [DTI] were incorrectly stated on tape). Therefore, increasing data reverification on securitized transactions, while potentially beneficial, will not address the more material risk and will result in increased costs and reduced efficiencies for consumers and securitizations. Fitch believes that the rating agencies could add value by assessing the rigor and integrity of underwriting and valuation processes and controls, as part of their originator/issuer reviews.

There has been a significant increase in the defaults and EPDs in 2006 and 2007 vintage subprime securitizations as outlined in the two charts on page 3. In Fitch's research to determine the causes for high defaults in recent vintage pools, several factors began to emerge which indicated that the underlying loans did not perform consistently with their reported risk characteristics. To gain a better understanding of the situation, Fitch selected a sample of 45 subprime loans, targeting high CLTV, stated documentation loans, including many with early missed payments. In particular, we selected loans that were primarily purchase transactions having a higher range of FICO scores (650 to 770), because high FICO scores and purchase transactions are historically attributes which generally reduce the risk of default. Fitch's analysts conducted an independent analysis of these files with the benefit of the full origination and servicing files. The result of the analysis was disconcerting at best, as there was the appearance of fraud or misrepresentation in almost every file.

While we realize this was a very limited sample, Fitch believes that the findings are indicative of the types and magnitude of issues, such as poor underwriting and fraud, which are prevalent in the high delinquencies of recent subprime vintages. In addition, although the sample was adversely selected based on payment patterns and high risk factors, the files indicated that fraud was not only present, but, in most cases, could have been identified with adequate underwriting, quality control and fraud prevention tools prior to the loan funding. Fitch believes that this targeted sampling of files was sufficient to determine that inadequate underwriting controls and, therefore, fraud is a factor in the defaults and losses on recent vintage pools. Additionally, Fitch continues to attempt to expand its loan sample to provide further validation of its findings and will provide additional commentary as applicable.

In light of our findings, Fitch believes that it is important to reassess the risk management processes of originators and/or issuers for product being securitized going forward.

While prime originators are not immune to fraud schemes, the subprime sector has exhibited the most vulnerability to them. Undoubtedly, flat or declining home prices and the loosening of program guidelines remain the main drivers of defaults and therefore losses within the subprime sector. However, Fitch believes that poor underwriting processes did not identify and prevent and, therefore, in effect, allowed willful misrepresentation by parties to the transactions, which has exacerbated the effects of declining home prices and lax program guidelines. For example, for an origination program that relies on owner occupancy to offset other risk factors, a borrower fraudulently stating its intent to occupy will dramatically alter the probability of the loan defaulting. When this scenario happens with a borrower who purchased the property as a short-term investment, based on the anticipation that the value would increase, the layering of risk is greatly multiplied. If the same borrower also misrepresented his income, and cannot afford to pay the loan unless he successfully sells the property, the loan will almost certainly default and result in a loss, as there is no type of loss mitigation, including modification, which can rectify these issues.

■ Research Results

The files reviewed by Fitch's analysts contained common features that Fitch believes contributed to default on these loans. Although the loan programs under which these loans were underwritten allowed for several high risk features, the files indicated a lack of underwriting review for basic reasonableness and credibility. It is important to note that while most of these issues could have been noted and investigated at the time of origination, others, such as occupancy and property condition, only became obvious as the servicer performed its functions.

Some general examples of these findings are below.

- Borrower balance sheet and assets did not support income as stated
 - No indication in file of reasonableness test or attempt to obtain additional information.
 - Some verbal employment checks provided by borrower (self-employed) or related individual (spouse).
- DTI ranged from 44%–57%
 - Some exceptions were made to programs, but for many the amounts used for calculation did not include other debts and/or tax/insurance/homeowners' association (HOA) dues which could have been determined from information within the files.
- Credit Reports

- FICO scores based on “authorized” accounts or joint accounts, where the borrower is utilizing someone else’s credit.
- No notation as to research on fraud or other alerts shown on credit reports.
- No notation as to research on inconsistent social security numbers, date or birth, or AKAs from application to credit reports.
- No research in the files on reported unresolved derogatory credit, including judgments, liens, etc.
- Seller concessions and other closing items
 - No indication of review performed on HUD-1 Settlement Statement for consistency with contract in file, allowable amounts paid for borrower, or funds to borrower (including purchase transactions).
 - No indication in file of review of borrower identification or signature.
- No consideration for payment shock, NSF’s, or overdrafts
 - No indication in file of review of borrower’s ability to sustain materially higher payments (assets or deposits did not indicate borrower had excess liquidity).
 - No notation as to research on NSF’s, or overdrafts shown in bank statements.
- Incomplete documentation
 - Occupancy form signed by borrower but box declaring occupancy rarely checked.
 - Missing “final” version of closing documents.

Characteristics by percentage of the 45 files reviewed included (loans may appear in more than one finding):

66%	Occupancy fraud (stated owner occupied — never occupied), based on information provided by borrower or field inspector
51%	Property value or condition issues — Materially different from original appraisal, or original appraisal contained conflicting information or items outside of typically accepted parameters
48%	First Time Homebuyer — Some applications indicated no other property, but credit report showed mortgage information
44%	Payment Shock (defined as greater than 100% increase) — Some greater than 200% increase
44%	Questionable stated income or employment — Often in conflict with information on credit report and indicated to be outside “reasonableness” test
22%	Hawk Alert — Fraud alert noted on credit report
18%	Credit Report — Questionable ownership of accounts (name or social security numbers do not match)
17%	Seller Concessions (outside allowed parameters)
16%	Credit Report — Based on “authorized” user accounts
16%	Strawbuyer/Flip scheme indicated based on evidence in servicing file
16%	Identity theft indicated
10%	Signature fraud indicated
6%	Non-arms length transaction indicated

Fraud has grown significantly over the past few years in volume and complexity. Fitch believes that there are many things that originators/issuers could do to prevent misrepresentation and fraud, as discussed below.

■ **Originator’s/Issuer’s Role in Identifying Fraud and High Risk Loans**

As the mortgage lending industry continues to make the mortgage process faster and less expensive, the occurrences of fraud continue to grow. For example, advances in personal computer capabilities enable individuals to produce documents to support fraudulent data, which are often hard to distinguish from true originals. In addition, access to databases has enabled perpetrators to alter pertinent loan documentation and information or create falsified loans where there is no borrower or property.

In many instances, misrepresentations and altered documentation are evident in the physical files, and most lenders provide underwriters and other personnel with training to identify red flags that may indicate fraud. Many lenders have an individual or group to research and resolve situations where fraud is suspected. Often, loans containing misrepresentations have multiple problems that can be detected through a strong validation and reverification process.

Mortgage fraud has increased in recent years to an extent that The Federal Bureau of Investigation (FBI) has reported the cost to the mortgage lending industry is between \$946 million and \$4.3 billion in 2006 alone.² Because fraud is becoming so prevalent, Fitch expects lenders to aggressively monitor for fraud, research and resolve suspected cases, and take appropriate actions against the source(s) of the problem. This includes the repurchase of loans by third parties, the removal of these parties from further business dealings, the dismissal of employees involved and, where appropriate, legal action.

Some of the primary areas of mortgage fraud are discussed below, along with the originators' actions which could identify these situations. It is important to keep in mind that for several of the situations mentioned here, there are widely available tools that can be purchased which increase the originators' ability to quickly identify potential problem loans.

Broker-Originated Loans

Broker-originated loans have consistently shown a higher occurrence of misrepresentation and fraud than direct or retail origination. In most instances, the broker will be the only direct contact with the borrower, and often is in the position of gathering most, if not all, required information on the borrower, including in some cases the selection of the appraiser. In this role, they have the ability, if inclined, to adjust or amend the stated facts, with or without the borrower's knowledge, to allow the loan request to fit within the parameters of lender guidelines.

Certainly not all brokers would engage in these activities; however, it is imperative that lenders actively research the identity and history of individuals applying for inclusion in lending programs, as well as maintain a regular update on all brokers. Lenders are expected to actively monitor the approval/reject record, repeat/amended submissions, and performance/default record for loans from each broker. In addition, if problems are detected, the lender is expected to aggressively research the cause, and if misrepresentation or fraud is indicated, to withdraw the broker's approval and, if appropriate, pursue legal actions. Finally, to prevent a repeat of this activity, the lender can provide the broker's name and identification information to The Mortgage Banker's Association's (MBA) Mortgage Asset Research Institute (MARI), which maintains a list of reported brokers that may be accessed by other lenders.

Stated Income

Stated income programs were initially reserved for high net worth individuals, who were self-employed and did not want to disclose all their business dealings but had assets that supported the income stated and strong credit profiles and credit scores. As the mortgage industry grew, originators expanded their programs to include salaried borrowers, and then on to the subprime sector.

Lenders who use reasonableness tests for income during the underwriting process, as well as initiate further research if the stated amounts appear inflated, can mitigate the risk inherent in stated income products. If the borrower profile does not support the income levels indicated, either by assets or liquidity (bank or savings accounts), the reasonable assumption would be that the income could be inflated. In addition, if lender guidelines require a verbal statement of employment, care should be exercised to determine that the individual providing the statement is an unrelated, independent source.

Originators often use the Internet to help confirm employment and the reasonableness of the income based on job title and geographic location. Most lenders know and have the ability to use the various sites and programs which provide this type of "reasonableness" check, and when stated income falls outside these parameters by an established variance, further research would be warranted.

FICO Inflation

FICOs present a consistent statistical assessment of the borrower's creditworthiness and risk profile; however, credit scoring is limited by the accuracy of the data contained within the credit bureau file. The confidence that originators place in FICOs may be diminished, and the perceived risk of the loan may be altered, when information provided within the report is not taken into consideration. Therefore, if the credit report provides conflicting information regarding Social Security Numbers, birth dates, addresses, indications of the use of multiple names, fraud alerts (known as HAWK Alert), etc., the lender should perform additional research.

Another concern with FICO score accuracy involves companies, typically Internet-based, who sell a means to artificially inflate a borrower's FICO. It has been estimated, as well as claimed by these services, that the use of a single "borrowed" account from a good consumer, reflected on the credit report as an "authorized user" account, will increase a FICO score by 50 to 75 points. Multiple authorized user accounts have the possibility of inflating a poor credit borrower's FICO by as much as 200 points. While this practice is not technically illegal for the service provider, many feel that the borrower who utilizes another person's good credit to inflate their score for the purpose of misleading a lender is committing fraud.

However, the industry is starting to limit the use of authorized user accounts or "piggyback credit." For example, Fair Isaac Corp. indicated that it was taking steps to ensure credit scores are not artificially enhanced by using borrowed credit by modifying the formula for its FICO score. The newest FICO model (version FICO 08) will ignore authorized user accounts. In addition, TransUnion LLC expanded its offerings to help the financial industry by identifying consumers who may have added authorized user relationships to their credit files to artificially enhance their credit standing.

Because of the effect of authorized users and other credit "improvement" schemes available today, lenders who review all information on a proposed borrower's credit report will be able to better determine the full indication of a borrower's credit risk profile. Specifically, if a lender uses a "high" FICO as a compensating factor for layered risk or risk outside stated program guidelines, the need to determine the accuracy of this tool is materially increased.

Property Valuation Accuracy

Risks associated with appraisals are varied and costly. Based on the past unprecedented home price appreciation in some markets and recent regulatory investigations, there is widespread concern regarding the number and severity of inflated valuations used to determine LTV. The availability of stated value refinances, inappropriate use of alternative valuations, and high production volume pressures on appraisers contributed to this problem. The effect of flat or declining home values, currently evident on a national scale, is most sharply felt in some of the same markets affected by the most inflated valuations, making current assessments of appropriate valuations more difficult. As a result, lenders are expected to exercise additional caution when determining values, and therefore LTVs to use in their risk assessments.

Fitch believes that a comprehensive valuation program uses a combination of full appraisals, automated valuation models (AVMs), and review appraisals. AVMs can be used to check and verify the appropriate valuations of appraisals at a relatively low cost. They are especially useful in the selection of properties for re-appraisal or appraisal review as part of a comprehensive quality control program. In addition, most lenders have procedures for reviewing appraisals referred by underwriting or quality control that use either in-house certified review appraisers or adequately monitored third-party review appraisers.

Lack of Underwriting

The high volume of mortgage applications over the past few years, coupled with the consumer's demand for more rapid responses to those applications, led to use of automation via Automated Underwriting Systems (AUS) and the use of validators to ease heavy underwriter workload. The borrower application information, often provided by the broker, is typically subject only to a cursory validation process. The cost savings benefit of using less experienced employees must be offset by controls to mitigate the likelihood that critical data points or red flags that could materially affect the underwriting decision or pricing may be overlooked.

Policies should address how the lender is evaluating risk layering, disposable income and payment shock. In addition, compensating factors are often used to override or offset loan characteristics that do not meet stated program guidelines. However, typically a single compensating factor would not offset multiple layers of risk. Therefore, to determine acceptable and predictive levels of risk, exceptions, upgrades, and overrides to established underwriting and loan programs should be carefully documented, monitored and disclosed.

Audits and Quality Control

To mitigate and control the extensive risks associated with originations, a lender needs an active, dynamic, and systemic quality control and internal audit program. An independent quality control program can provide an objective assessment of credit risk and compliance to the company's loan product and underwriting guidelines, as well as identify deteriorating asset quality. Pre- and post-funding quality control programs assess the underwriting decision, re-verify documentation, and provide constructive feedback to management.

■ Representations and Warranties (Reps & Warranties) in RMBS

In RMBS transactions, reps and warranties are given by the originator, issuer or other appropriate party, covering several areas, including the legality of the mortgage loan, the lien status, and condition of the property. In addition, some of the reps and warranties address compliance with the originator's underwriting standards and a smaller number of transactions have specific reps and warranties for fraud. However, there are several challenges to relying on reps and warranties to remove loans from RMBS deals for a breach due to underwriting or misrepresentation/fraud.

For many subprime loans, the program guidelines allowed the originator to base qualification on features such as stated income. Assuming that the originator's underwriting standards did not require the verification through another means, or that a "reasonableness test" be conducted, the failure to perform these steps would not be an exception to their underwriting standards. Therefore, if the borrower or broker misrepresented the actual income, it is fraud on their part, but is it a breach of the reps and warranties? The same question would apply to borrowers who have artificially enhanced their FICO.

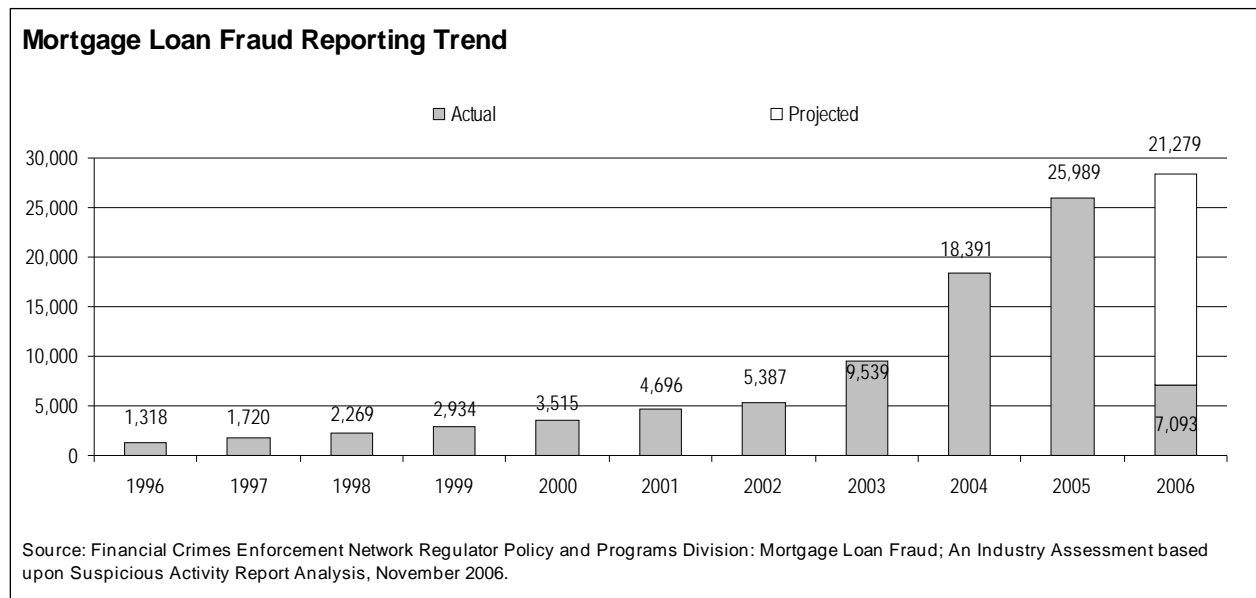
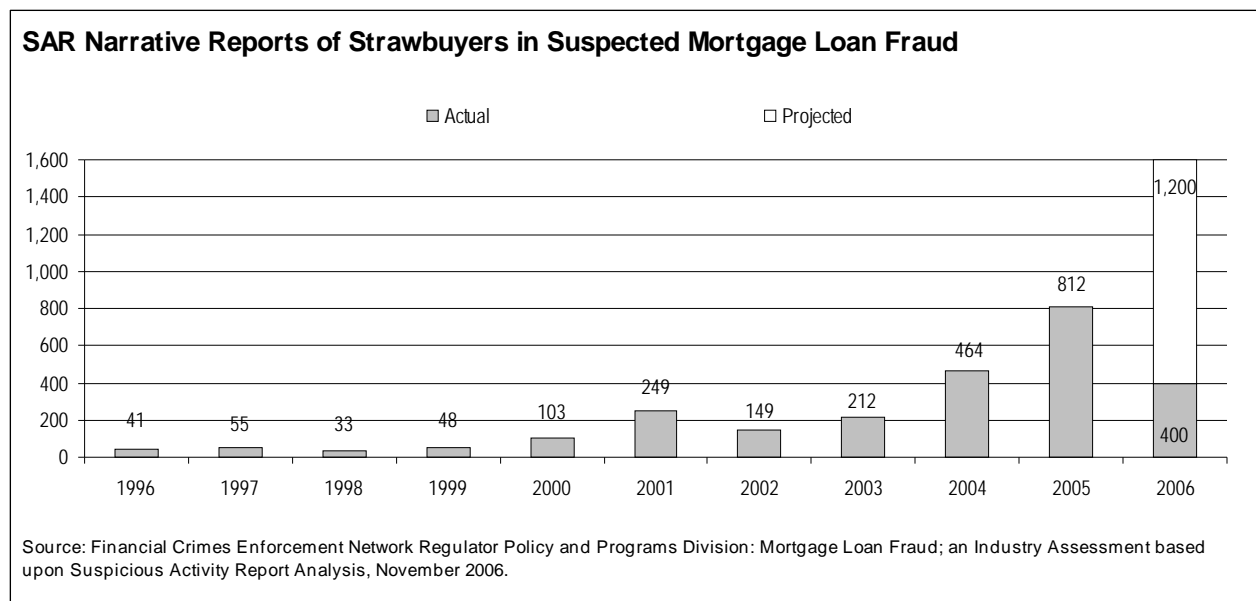
Most pooling and servicing agreements that Fitch reviewed indicate that any party to the transaction (typically, the issuer, servicer, master servicer, or trustee) who becomes aware of a suspected breach to the reps and warranties should provide notice to the trustee (or in some all other parties). However, unless there is a reason that research is conducted to specifically look for a breach, finding potential breach situations typically requires an awareness and identification by the servicer while conducting their functions. Directions as to the process after notification are somewhat varied, but in general, if a breach is determined, the trustee will facilitate the request for repurchase of the loan from the transaction. Fitch believes that risk management firms that track potential repurchase candidates and monitor the repurchase process can enhance the effectiveness of representations and warranties. However, in today's environment, one of the situations which could occur would be that the original provider of the reps and warranties is no longer in existence or has filed bankruptcy.

■ Appendix — Measuring Fraud Within the Industry

Difficulties in Measuring and Reporting Fraud

Although most information available today on mortgage fraud indicates a strong increase in the amount and complexity of fraud in the industry, there is not a clear mechanism in place today to adequately identify and track these instances.

One source for this information is the US Department of the Treasury, Office of Inspector General’s Financial Crimes Enforcement Network (FinCEN), which was established in 2001 to advise and make recommendations on matters relating to financial intelligence and criminal activities, including mortgage loan fraud. In the most recent Suspicious Activity Report (SAR) dated November 2006, the bureau reported a 14-fold rise in mortgage fraud-related suspicious activity reported between 1997 and 2005.³ However, the first quarter of 2006 is the most recent data available currently.



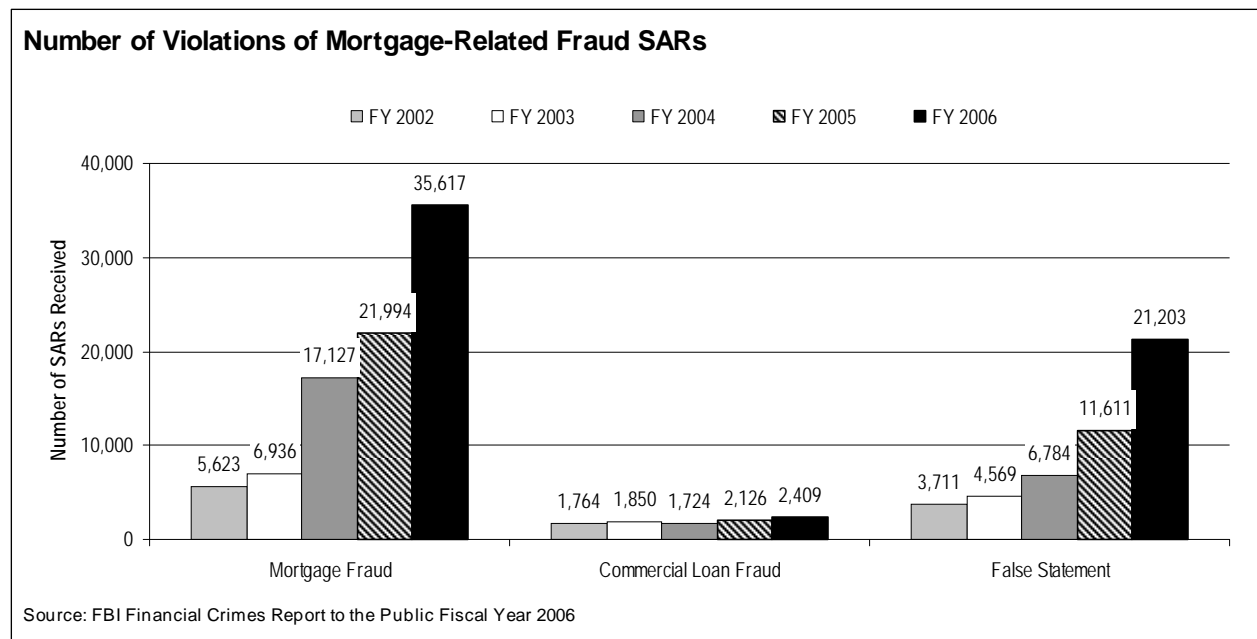
It is important to realize that the SARa are typically only filed by federally chartered or federally insured institutions. Since the majority of the subprime mortgage loans are originated by entities that are not federally chartered or insured, the number of potential fraud instances could easily be multiplied two to three times.

Another widely acknowledged source for mortgage fraud information, MARI provides an annual report on mortgage fraud activity. Although the MBA has access to a wider range of information from its membership, the information is provided as an index for the states and metropolitan areas, and without access to the raw data behind the indexes, comparison and trending is limited. However, MARI has indicated that its records show a 30% increase in loans with suspected mortgage fraud in 2006, with the most common type of fraud being employment history and claimed income. The report went on to show that while 55% of overall fraud incidents reported to MARI were application fraud, the percentage of subprime loans with application fraud was higher at 65%. In addition, for appraisal/valuation fraud the overall was 11%, with subprime at 14%. The report also makes a projection with regard to the cases of fraud in subprime, indicating that it will likely take three to five years to uncover most of the fraud and misrepresentation in the 2006 book of business.⁴

The FBI reports the actual number of convictions for mortgage fraud has increased 131% from 2001 to 2006. As shown in its report for 2006, the FBI investigated 818 cases and obtained 263 indictments and 204 convictions of mortgage fraud criminals. The agency also reports that in 2006, for mortgage fraud, it accomplished \$388.9 million in restitutions, \$1.4 million in recoveries, and \$231 million in fines.⁵

However, the timing of reported fraud cases must be considered when attempting to determine the increasing trend of occurrence within the FBI numbers. While some fraud cases can be identified at the time of origination, most will not be noted until later in the servicing process. This may occur when the servicer notes a first or early payment default; a borrower cannot be contacted or traced; inspection of the property identifies vacancy, tenants, or conditions that are not as noted on the appraisal; or possibly when, during contact with the borrower or other parties in the transaction, there is an admission of misrepresentation. Also, with regard to the FBI reported convictions, it should be noted that there may be a considerable span of time from the identification and investigation phase of these cases to pending and final conviction. This delay, combined with the difficulty in identifying the vintage of loan origination, makes specific trending using this data complicated at best.

There are providers of advanced technology tools to identify fraud or misrepresentation available in the industry today. Some of these providers also report their findings in summary or on certain features of fraud. This



information is helpful to the industry; however, the information provided by these vendors will be limited to the data provided to them from their clients. Notwithstanding this limitation, because these companies are typically actively looking for fraud in new production files, the statistics they provide may well be the most up to date information available upon which to monitor trends.

Endnotes

¹White Paper, “Early Payment Default – Links to Fraud and Impact on Mortgage Lenders and Investment Banks,” 2007 BasePoint Analytics LLC.

²Federal Bureau of Investigation, “Mortgage Fraud: New Partnership to Combat Problem: March 9, 2007.”

³Mortgage Loan Fraud, An Industry Assessment based upon Suspicious Activity Report Analysis, November 2006, Financial Crimes Enforcement Network, Regulatory Polity and Programs Division, Office of Regulatory Analysis, US Department of the Treasury.

⁴Ninth Periodic Mortgage Fraud Case Report to Mortgage Bankers Association, April 2007, Mortgage Asset Research Institute, LLC., a ChoicePoint Service.

⁵“Financial Crimes Report to the Public Fiscal Year 2006, October 1, 2005 – September 30, 2006,” Federal Bureau of Investigation.

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