

# Loan Portfolio Triage Quadrantize Loss Severity Risk

Presentation

by

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# Quadrantize Loss Severity Risk Within Loan Portfolio

What is your exposure?

Where is your exposure?

How do you accurately measure your exposure?

Can you forecast likelihood of default, and cash loss severity?

Can you segment your portfolio into quadrants of high to low risk?



# Property according to origination appraisal



## Property according to Pre-Foreclosure BPO



## Property according to REO BPO



# Property according to REO bidder



## **Loan Portfolio Triage Quadrantize Loss Severity Risk**

- **Acquisition: a Triage analysis creates clear risk picture.**
- **Identifies highest risk groups.**
- **Monitor Portfolio: Monitor constantly changing risk profile.**
- **Optimize Loss Mit Defense.**

## Loan Portfolio Triage Quadrantize Loss Severity Risk

- Which loans should be called today, before even 1 day late?
- Optimize limited FTE resources.
- Put most skilled people on highest risk loans.
- What can be effectively outsourced?
- New: instant default valuation AVP with 15 pages of essential valuation data not found in BPO or appraisal at 20% of BPO price.

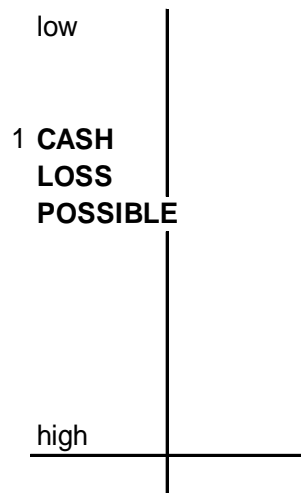
## Loan Portfolio Triage Quadrantize Loss Severity Risk

- **New: LoanScore, and Risk Quadrant “RQ” Score : instantly score combined risk of Borrower, Collateral, Credit, 3rd parties involved, and more.**
  - **New: Fraud detection tool in REO sales.**
  - **New: BPO accuracy report.**
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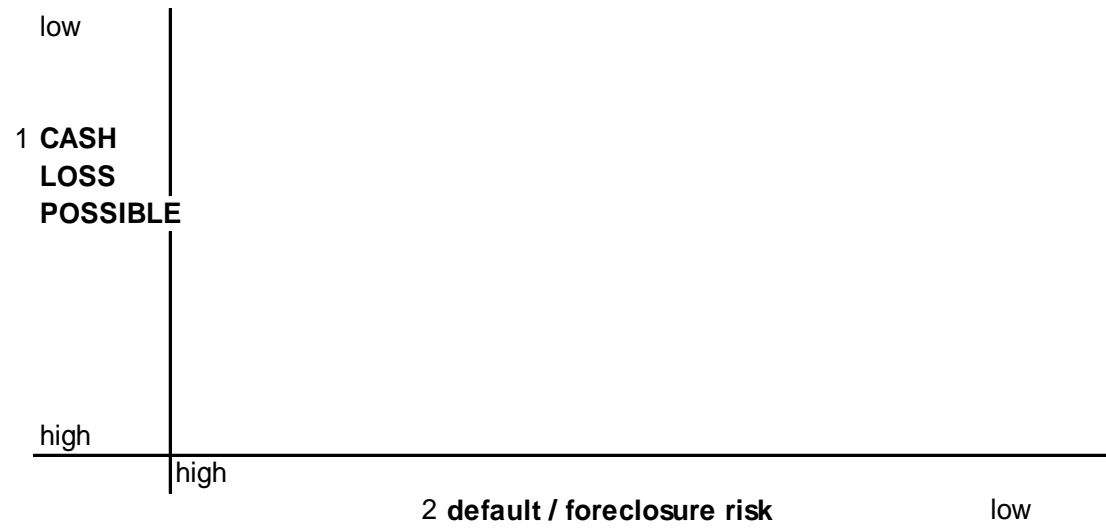
## **Loan Portfolio Triage Quadrantize Loss Severity Risk**

- **Dramatically enhance investor oversight.**
- **Optimize due diligence documentation for investors.**
- **Which GEO area is turning, and, in which direction?**
- **For Loan Servicers, Lenders, Capital Market professionals, and**
- **Rating Agencies**

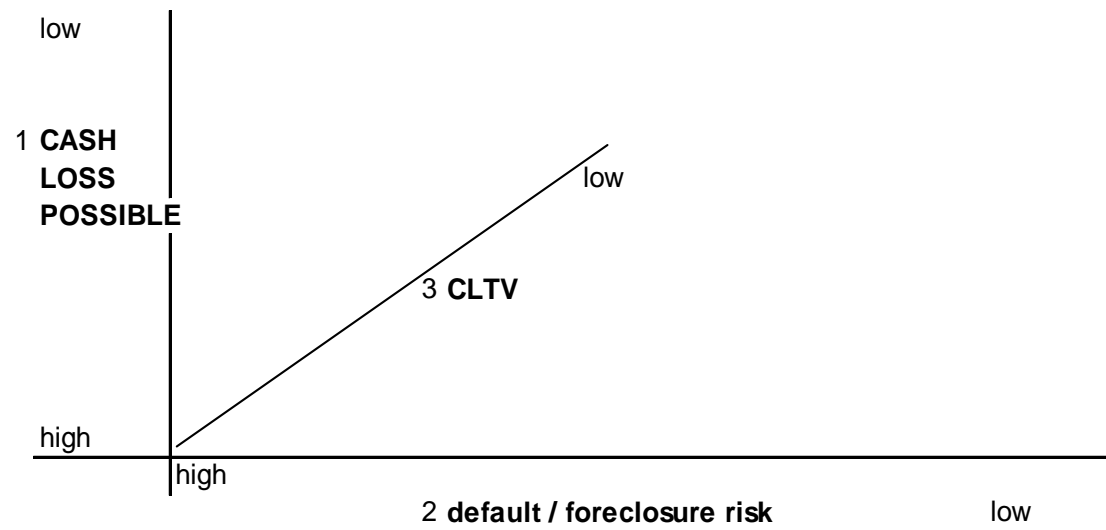
## Quadrantize Risk Within Loan Portfolio



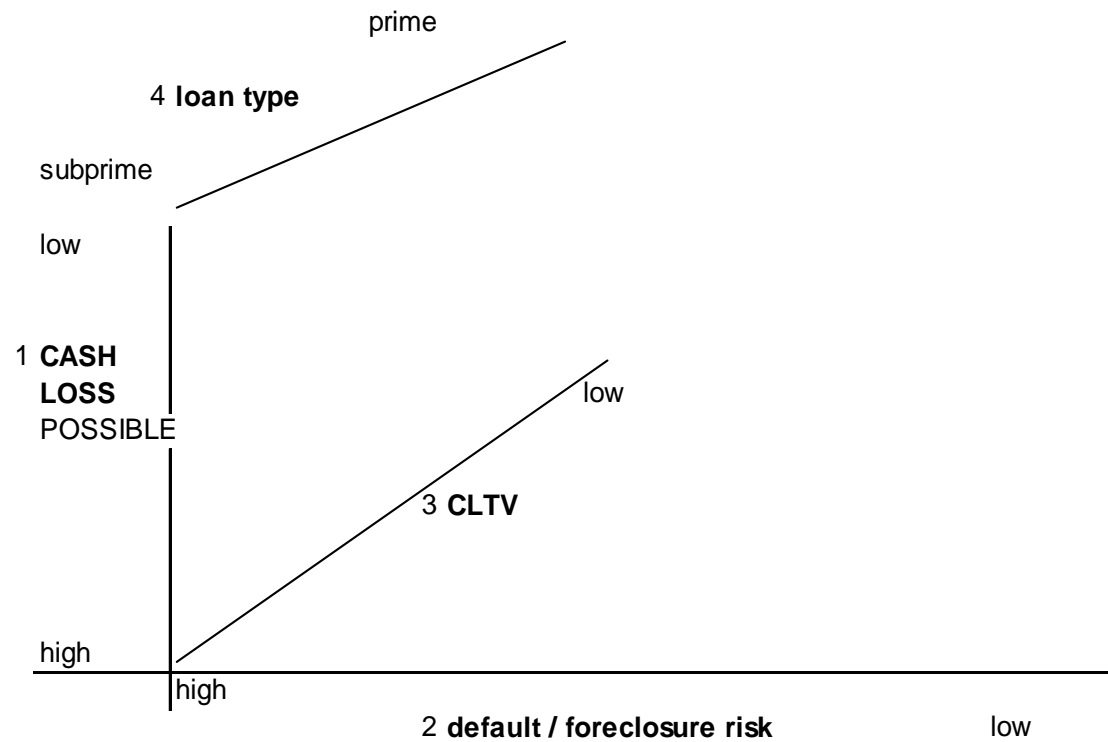
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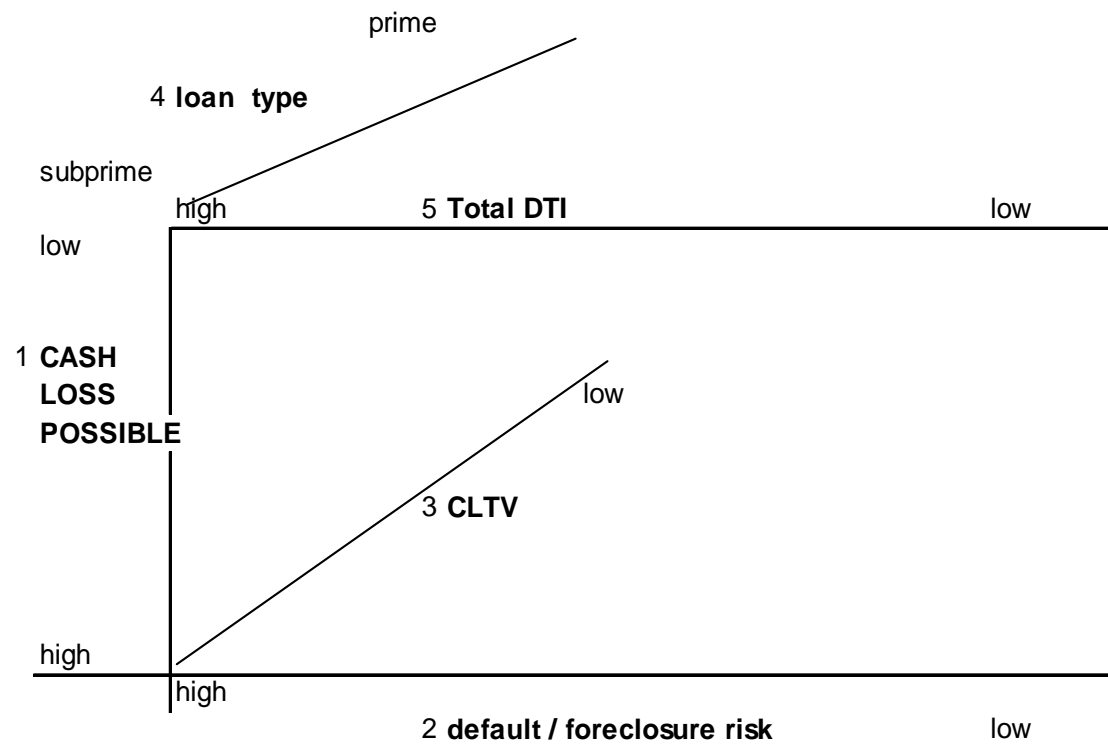
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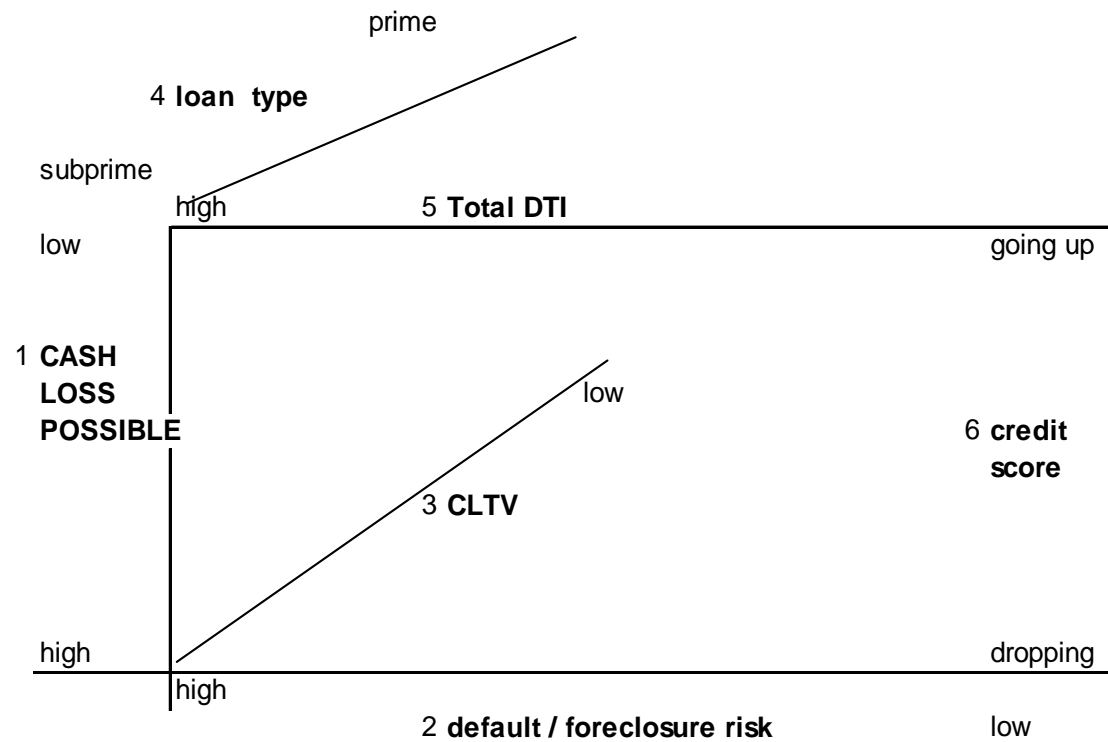
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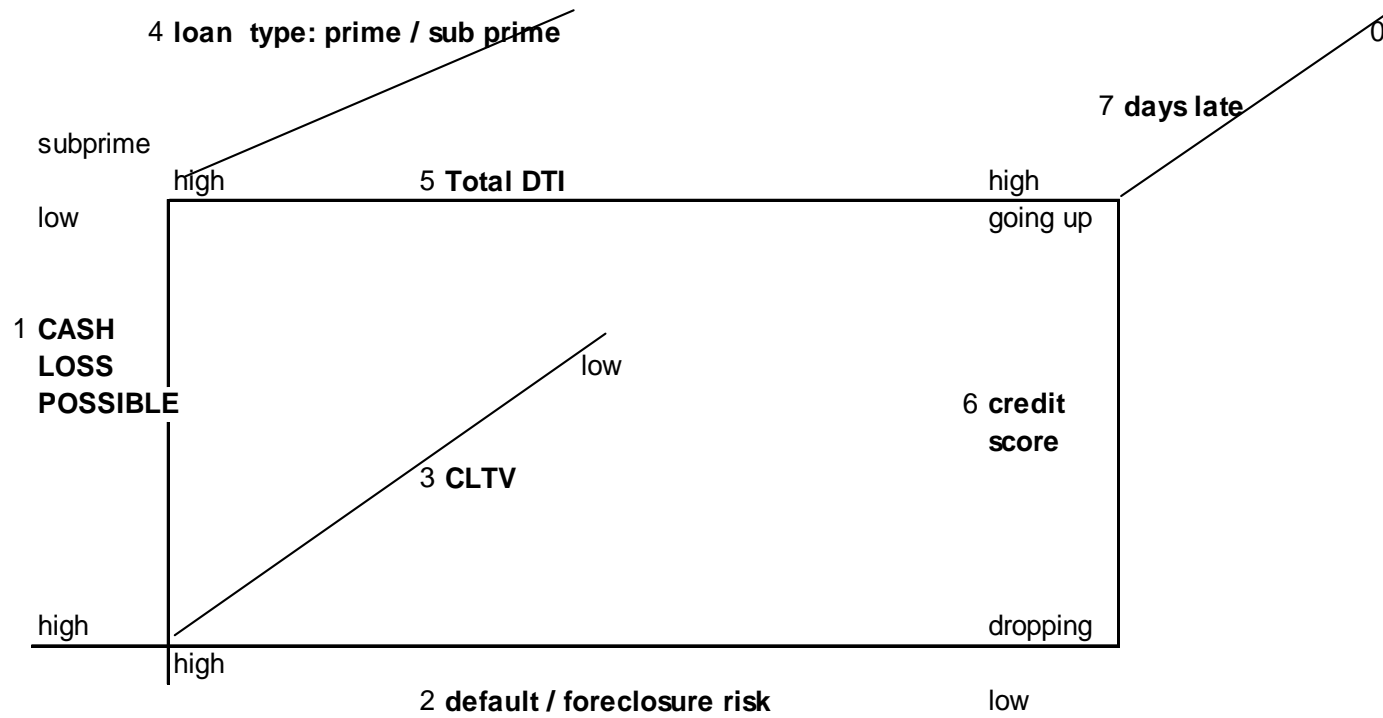
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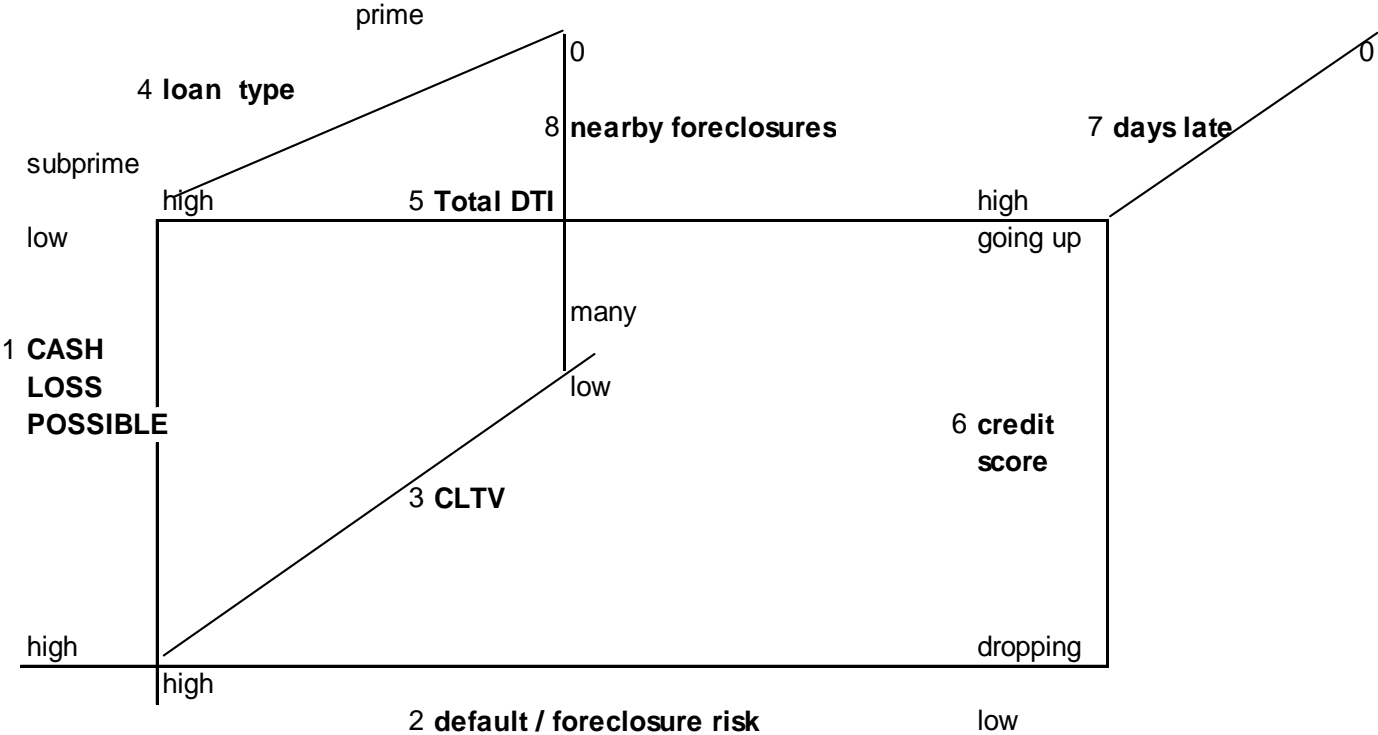
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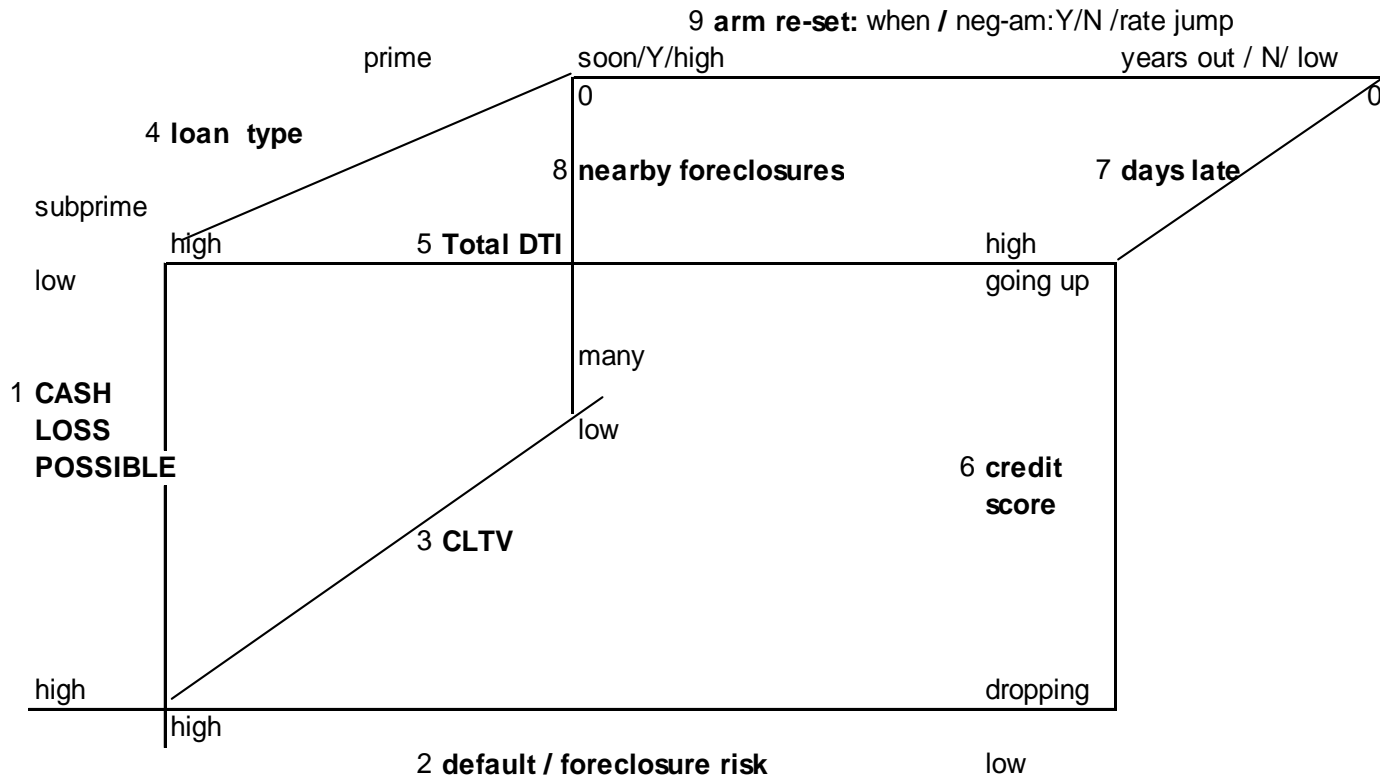
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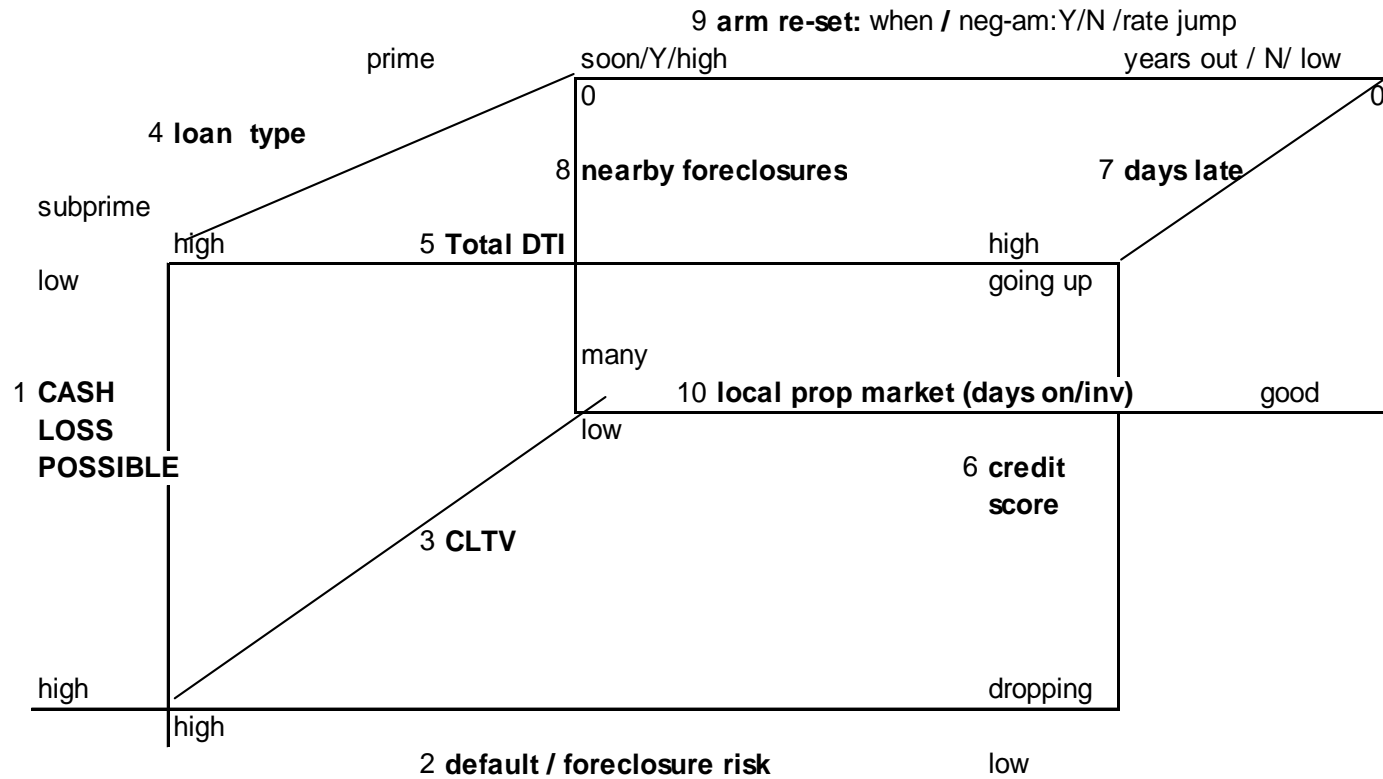
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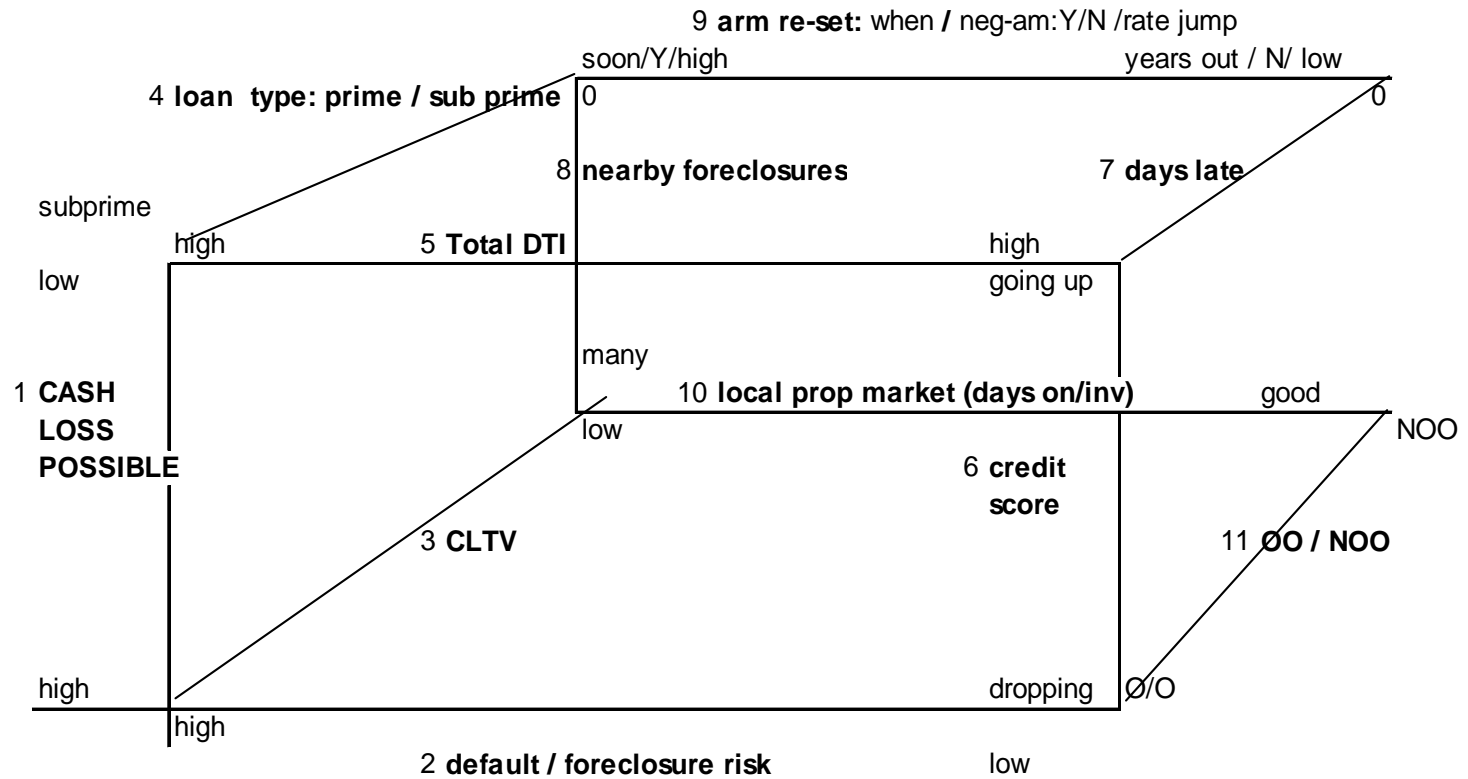
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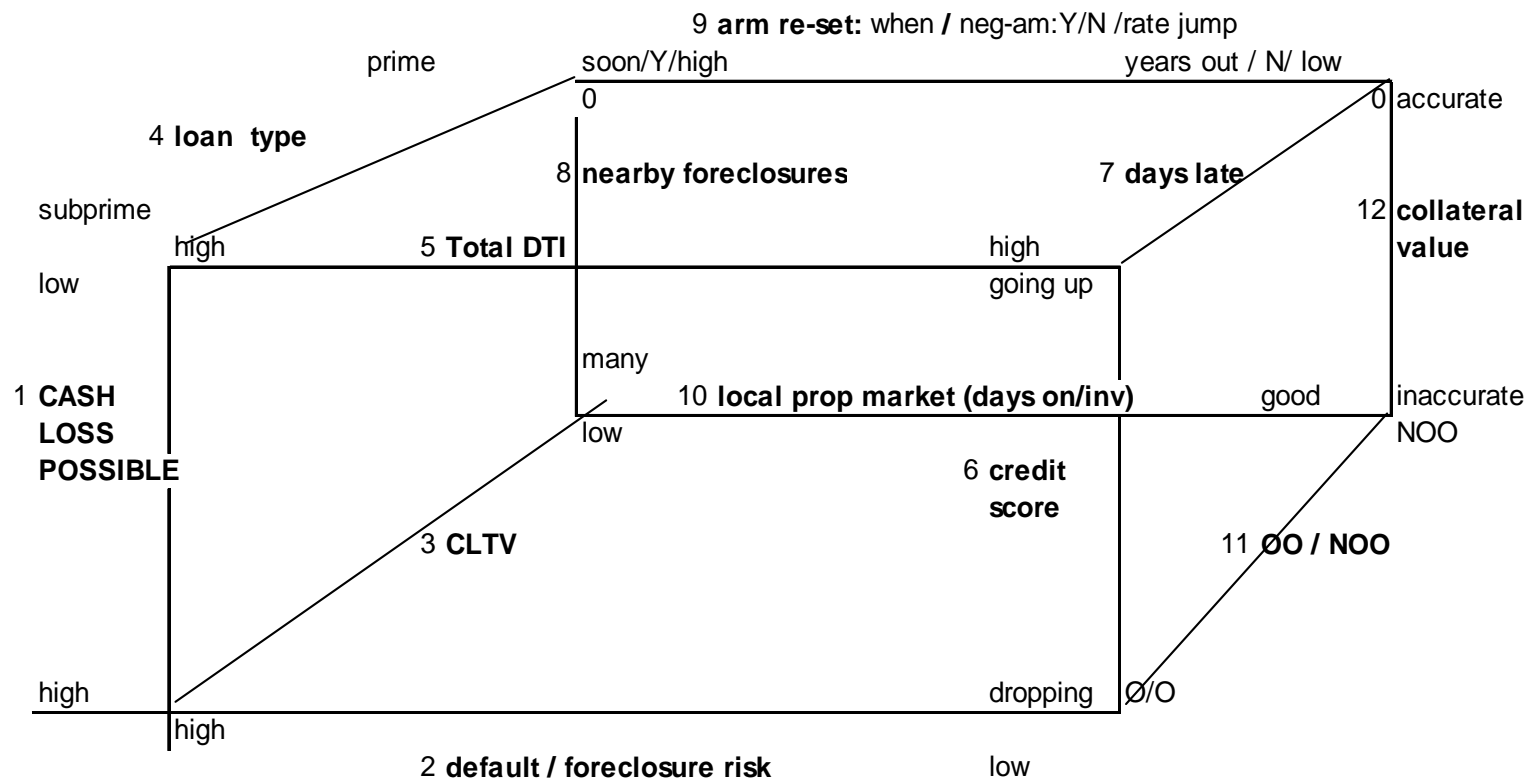
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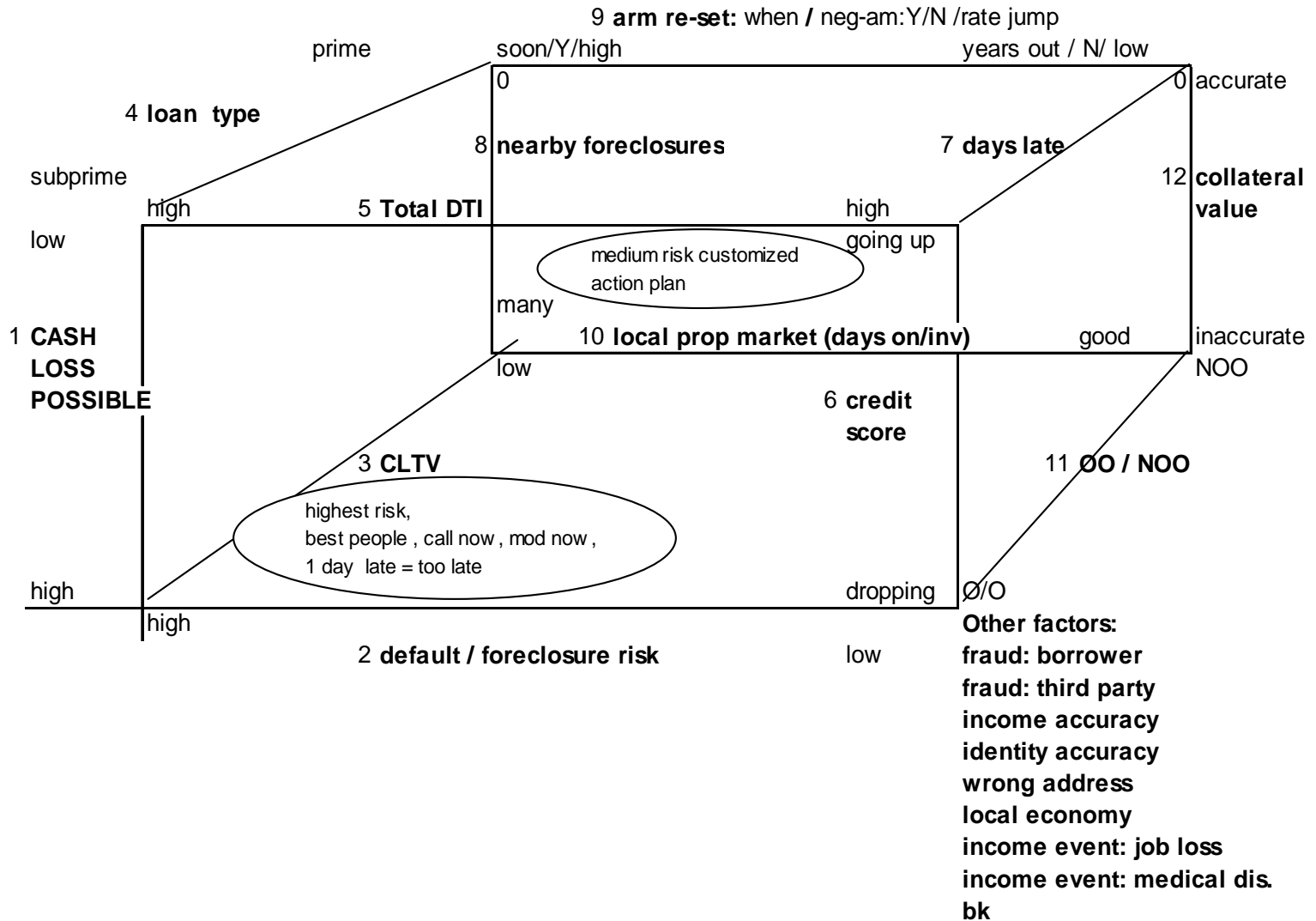
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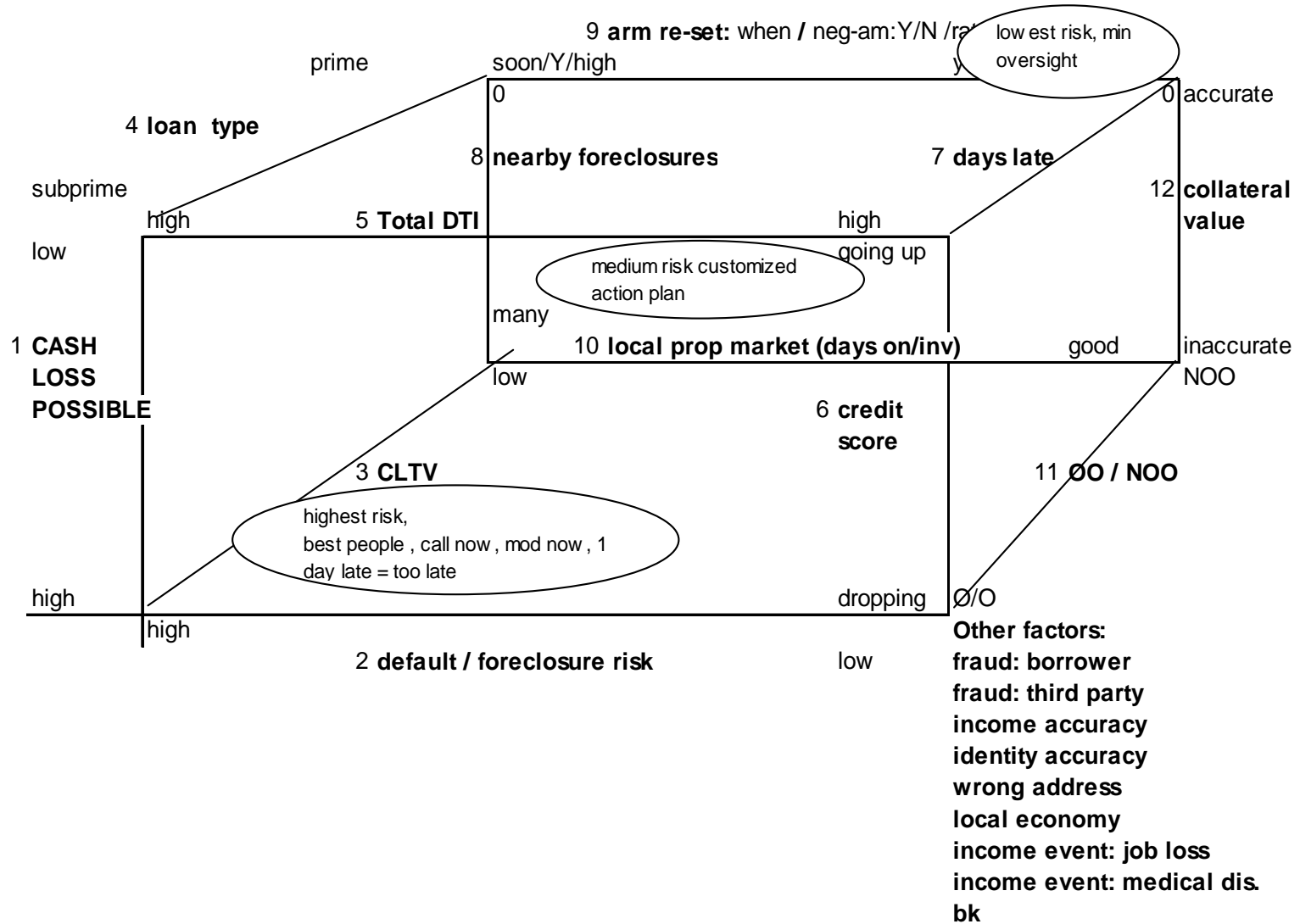




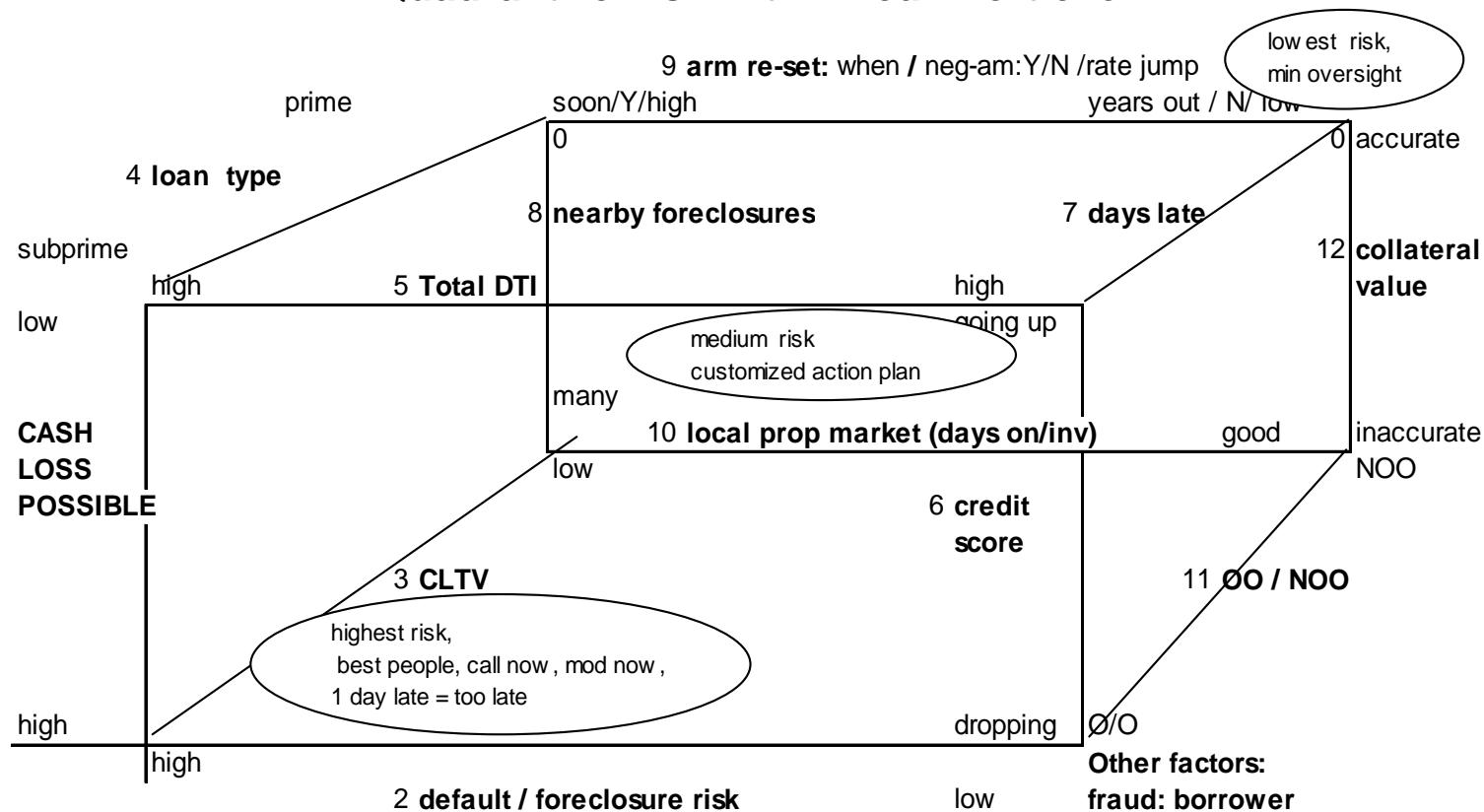
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**Issues:**

- Allocation of limited FTE
- Proper Reserve amounts
- Forced property insurance:
  - improvement valuation
- Valuation reconciliation process
- Doc due diligence: investors
- Detecting REO sale fraud
- Loan Mod options
- See list of 80+ risk elements

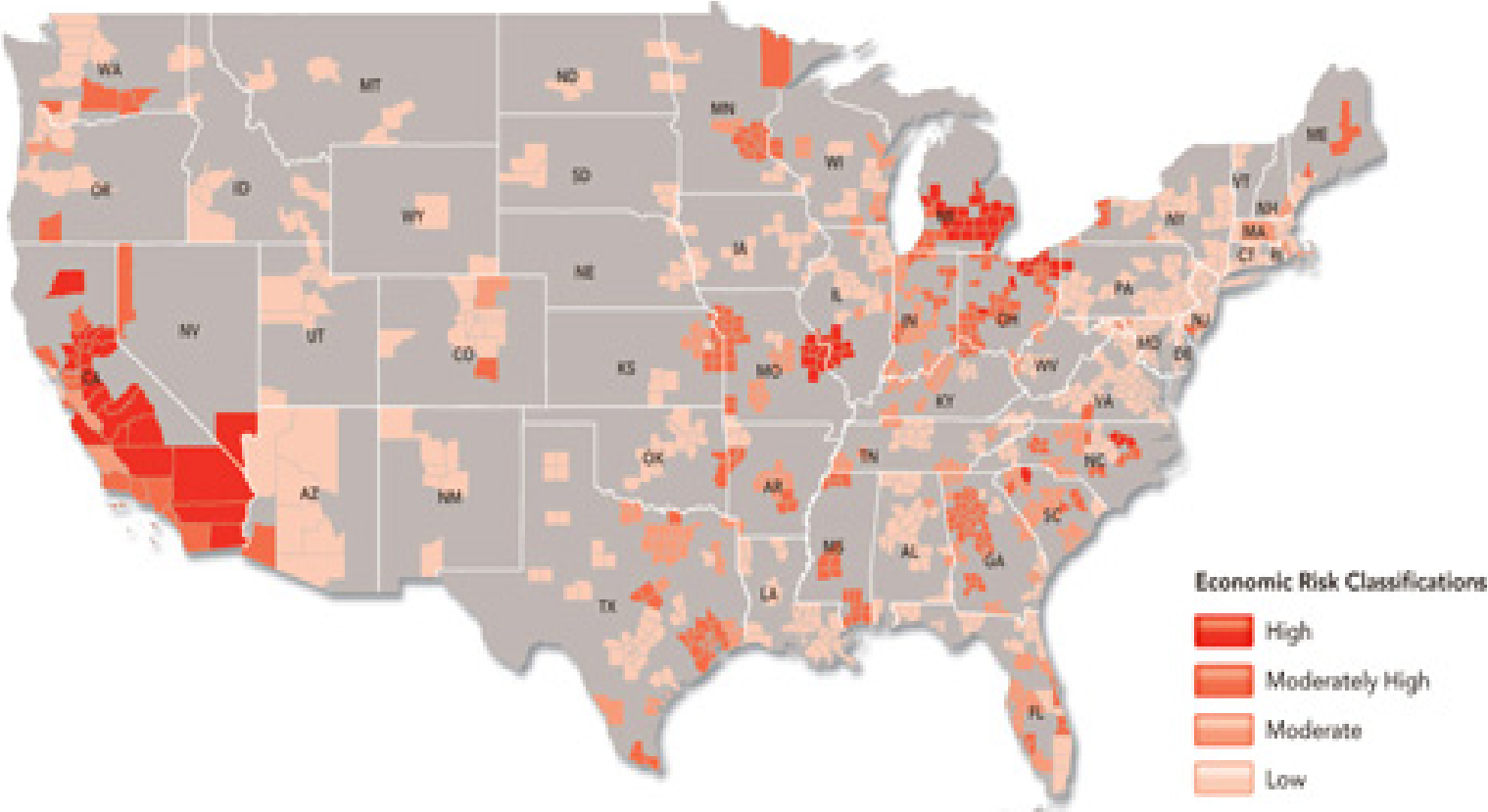
**Other factors:**

- fraud: borrower
- fraud: third party
- income accuracy
- identity accuracy
- wrong address
- local economy
- income event: job loss
- income event: medical dis.
- bk



CORE MORTGAGE RISK INDEX BY MSA - Q1 2008

EXHIBIT 1



## Q&A

What is your exposure? Find out within 5 days.

Where is your exposure? Find out within 5 days.

How do you accurately measure your exposure?


Multiple resources employed.

Can you forecast likelihood of default, and cash loss severity? Yes.

Can you segment your portfolio into quadrants of high to low risk? Yes.



# Analysis Levels

- Level One:
    - Analysis rating using collateral, borrower, credit, broker involved.
    - Medium to high risk loans go to Level 2.
  
  - Level Two:
    - ARM re-set dates and amounts / DTI impact rating,
    - Multi-lien search, NODs, non-mortgage liens, tax lien check,
    - Trade line payments used to update total DTI,
    - All lates listed and rated,
    - Fraud check on identity, income, address, owner occupancy,
    - 2 Collateral values: market and foreclosure, each triangulated.
    - Drop in property value (and loss increase) in a foreclosure,
    - “Days late” on mortgage(s) factored into rating,
    - Compare BPO photos to five independent GPS-audited low angle photos (front, back, left side, right side, and roof.)
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## Next Step

- Send secure FTP batch of all loans in existing portfolio, or being considered for purchase.
- We'll provide data requirement list.
- Pricing based on volume, frequency, depth of analysis.

# Triage Your Loan Portfolio into Loss Severity Risk Quadrants

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