

HOME PRICE INDEX

The LPS Applied Analytics Home Price Index accurately values the loans in your portfolio by:

- **Using the repeat sales methodology**
- **Leveraging the industry's best data**
- **Providing the option to include or exclude REO sales**

Understanding trends in home prices is key to valuing your portfolio, making decisions for originating and servicing loans, and optimizing REO strategies. But, with rapidly changing home prices, increases in foreclosure sales and steep variances by region across the country, effectively managing portfolio valuation can be a daunting business challenge.

LPS Applied Analytics' Home Price Index (HPI) can help you easily and accurately value your portfolio on an ongoing basis. The LPS Applied Analytics HPI measures changes in property values of residential real estate at various geographic levels, including state, metropolitan area, county and ZIP code. Using a repeat sales methodology and the industry's best data, the LPS Applied Analytics HPI also provides the option to include or exclude REO sales in the index.

Repeat Sales Methodology

The repeat sales methodology for home price indices takes into consideration the compositional change in the mix of housing that is sold over time. By using this method, the changes in types of homes that sell through time (e.g., larger or smaller homes) and intrinsic variations in the housing market do not improperly impact the LPS Applied Analytics HPI. By including only the sale price on the same property at two points in time, the quality of data for homes sold remains constant over time. Furthermore, the repeat sales model does not include appraised values for refinances, which could inappropriately impact the index.

Only the Best Data

LPS Applied Analytics relies on data from its own real estate database to support its HPI. LPS compiles this data directly from County Recorder and Assessor offices and verifies its accuracy. This direct data compilation adds value and accuracy to LPS' HPI and analytic models.

LPS Applied Analytics' public records real estate database describes property characteristics and ownership transfers pertaining to 80 million owner-occupied residential parcels, covering 92 percent of housing activity in the country.

Inclusion and Exclusion of REO Sales

What makes the LPS Applied Analytics HPI so powerful, though, is that it distinguishes between trends in property prices for the general market and trends for foreclosures and REO sales by providing the user with the option to include or exclude REO sales. Generated monthly, this unique index allows the industry to more accurately price REO properties and better establish the direction of the market.

How It Works

LPS Applied Analytics' HPI is completed in a batch process. When a user submits a portfolio of loans, LPS Applied Analytics will match each address to its real estate database to determine the price and date of the prior sale of the property. That information is used as a factor in creating LPS Applied Analytics' HPI. LPS then combines the HPI with market trends to provide an accurate property value.

In addition, a user could provide LPS with the latest appraised value and date, and LPS will mark-to-market individual loans and the portfolio as a whole.

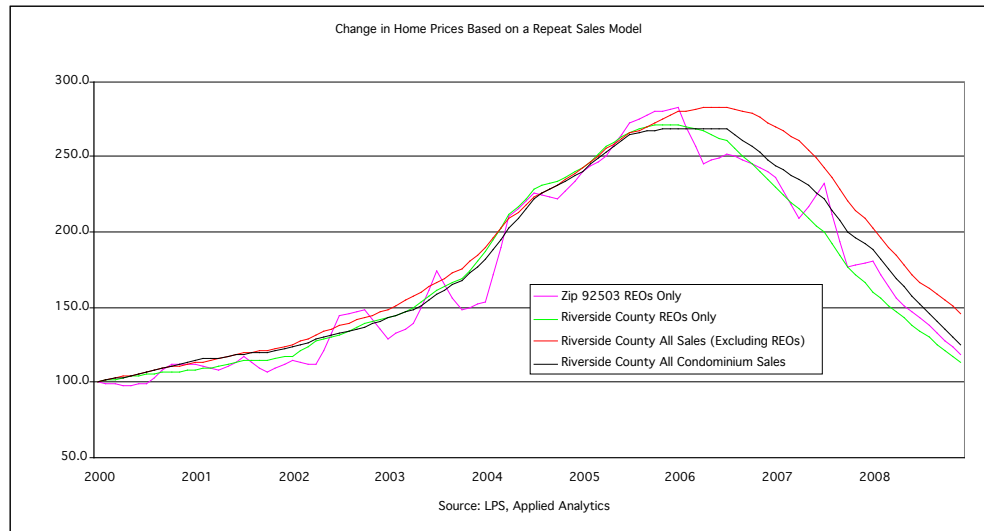


The LPS Applied Analytics HPI is offered at various geographic levels, property and transaction types, giving the user the option of choosing any combination of geographic, property and transaction categories.

States	
Alabama	Missouri
Arkansas	North Carolina
Arizona	Nebraska
California	New Hampshire
Colorado	New Jersey
Connecticut	Nevada
Delaware	New York
Florida	Ohio
Georgia	Oklahoma
Hawaii	Oregon
Iowa	Pennsylvania
Illinois	Rhode Island
Kentucky	South Carolina
Louisiana	Tennessee
Massachusetts	Virginia
Maryland	Washington
Michigan	Washington, D.C.
Minnesota	Wisconsin

Property Type
Single-Family Residence
Condominium
Geography
5-Digit ZIP Code
County
Core-Based Statistical Area
State
Loan Type
Conforming Loans
Non-Conforming Loans
Transaction Types
Single-Family Residence, Condominium, REOs included
Single-Family Residence, Condominium, REOs excluded

The chart below illustrates the variances in home prices in Riverside County, Calif., with specific parameters selected.



Use Cases

The LPS Applied Analytics HPI offers an inexpensive, quick and accurate method for marking-to-market property values.

Originators:

- Determine the accurate value of a home for prequalifying borrowers before underwriting a loan.
- Establish the value of a property and compare to loan amount to target ideal candidates for home equity products.
- Index a prior sale on a property and compare to a current appraised value or BPO to help identify overvaluation candidates.

Secondary market professionals:

- Index prior appraised values or BPOs to quickly assess the current value of a pool of loans being considered for purchase.
- Identify default and prepayment risk and enhance risk modeling.
- Identify the greatest negative changes in home values to determine the riskiest areas and be proactive with those areas.
- Determine whether the value of a property is stationary or declining and how much capital is needed to cover the liability.

Servicers:

- Identify areas with significant changes in property values to better determine loss mitigation strategies and focus efforts.
- Mark-to-market aged property valuations to get a current estimate of market value for properties in foreclosure.

Suite of Valuation Solutions

In addition to offering this powerful new HPI, LPS offers a complete suite of automated, desktop and field products that can be combined to create the ideal solution for your valuation and risk management needs.



**The LPS Applied Analytics
HPI can help you quickly
and inexpensively mark-to-
market individual loans or
portfolios.**



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