

LPS APPLIED ANALYTICS

MORTGAGE SCORES

Harnessing the Power of Predictive Analytics.

Lender Processing Services' (LPS) Applied Analytics division offers Mortgage Scores, a behavior based scoring product that produces loan-level summary measures of prepayment, delinquency, default and loss over a spectrum of time horizons. Originators, servicers and investors use Mortgage Scores as key pieces of predictive analytics that can be plugged into a wide variety of applications and be used for standalone actionable intelligence. LPS Applied Analytics has built a strong reputation over the past decade by applying its mortgage analytics in the capital markets, with billions of dollars traded daily using our models. Now, LPS Applied Analytics has made the predictive power of these models available through Mortgage Scores.

Providing the Most Accurate Scores

Mortgage Scores are probabilities of prepay, delinquency, default and loss over specified horizons along with current estimated loan-to-value and net present value for each loan within a mortgage portfolio. These scores are calculated using industry leading behavioral models combined with several projected paths of interest rates and housing prices. Conditioning on future economic scenarios creates a more accurate performance analysis than the traditional history-based industry alternatives.

When you use Mortgage Scores, you gain:

- Coordinated and accurate measurements of prepayment, delinquency, default and loss
- Sensitivity to simple metrics like original FICO, estimated current LTV and current spread, as well as documentation type, loan type, geography and other loan-level variables
- Accurate performance compared to industry alternatives based only on history
- More specific information by considering multiple house price and interest rate scenarios, as well as multiple horizons
- The option to weight scenarios as you feel most appropriate
- The option to utilize client provided interest rate and/or house price index .
- A suite of models, each tailored to specific credit sectors (prime, alt-A, subprime, home equity) and product types
- Rapid implementation and score utilization through a service bureau delivery mechanism

Standard Mortgage Scores Output

- Probability of Prepayment – 6 month, 12 month and 24 month horizons
- Probability of Seriously Delinquent (60 or more Days Past Due) – 6 month, 12 month and 24 month horizons
- Probability of Default – 6 month, 12 month, 24 month and lifetime horizons
- Expected Loss – 12 month and lifetime horizons
- Current HPI-Adjusted LTV
- Net Present Value



Applying Mortgage Scores to your Business

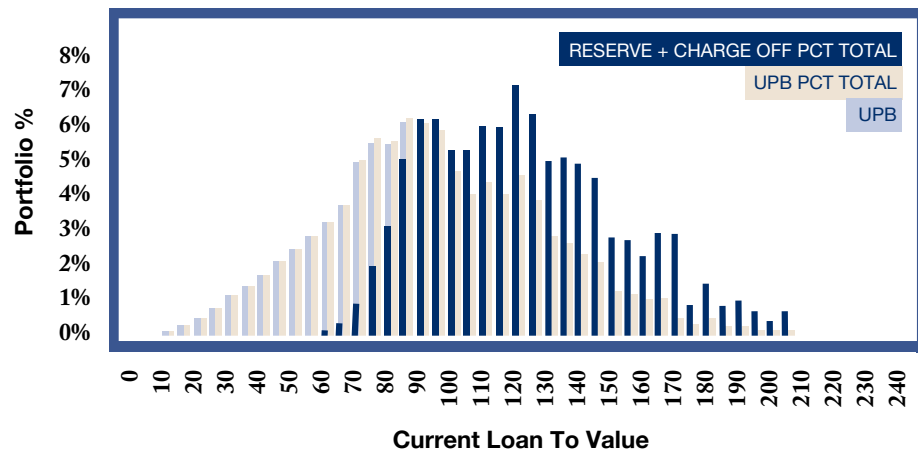
LPS Applied Analytics' Mortgage Scores provide behavior-based metrics for ranking and decision support.

Loan Loss Reserving Applications

Mortgage Scores provide analytic input to support the loan loss reserving process:

- Provide client specific loss reserving model input metrics based on calculated probabilities of serious delinquency, foreclosure and liquidation at critical time horizons to meet FFIEC, FAS 5 and 114 requirements.
- Short-, medium- or long-term probabilities and horizons allow flexibility to facilitate reserve planning and meet other specific needs
- By calculating reserves at the loan level the results can facilitate better informed work-out and modification decisions

LPS Mortgage Scores
Loan Loss Reserve Distribution by Current LTV

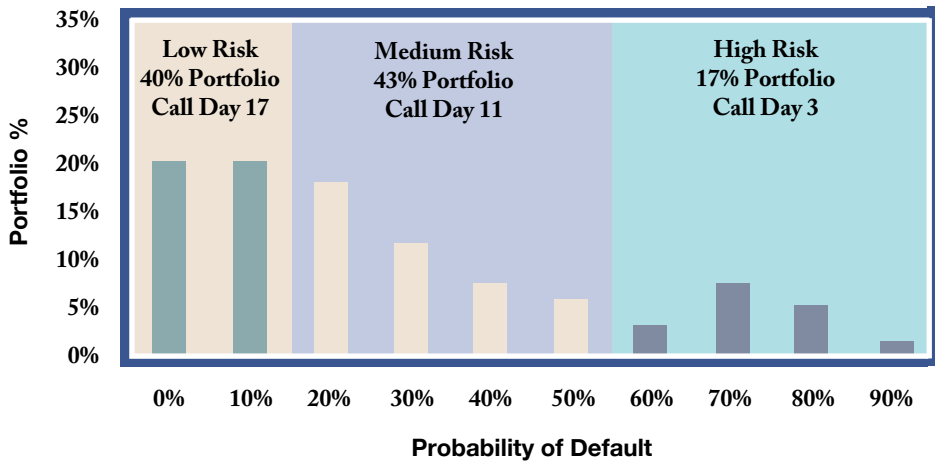


Applications for Collections and Campaign Strategies

Mortgage Scores allows you to evaluate your delinquent portfolio and prioritize loans by risk. Use risk ranking to stagger proactive collection strategies and contact methods throughout the month to optimize staffing and resources.

- Minimize losses and foreclosures
- Meet investor guidelines for borrower outreach
- Minimize collection expenses
- Preserve customer satisfaction

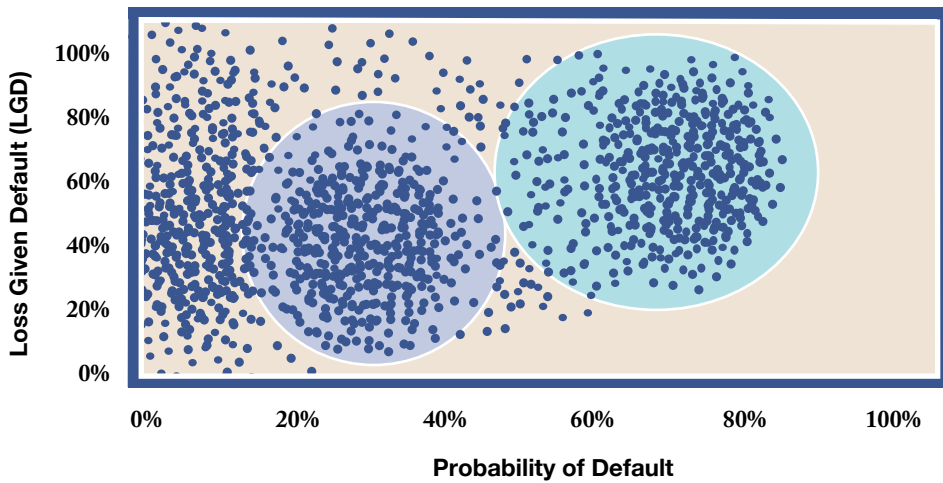
LPS Mortgage Scores
 Sample Contact Strategy Segmentation
 using Probability of Default



Loss Mitigation Applications

Mortgage Scores and related analysis can show which borrowers will benefit the most from loss mitigation activities.

LPS Mortgage Scores
 Sample Loss Mitigation Prioritization
 Using Prob. Default and Loss Given Default



Other Applications:

- Benchmark internal portfolio and loan analytics
- Estimate borrower equity and current LTV utilizing MSA-level HPI metrics
- Use projected rates and volumes of delinquency, default and loss to allocate staff. Monthly updates support rapid redeployment as experience and projections shift.
- Evaluate quality of new originations by channel, branch or loan officer
- For quality loans with high probability of prepayment, improve retention rates and reduce costs with targeted marketing strategies Mortgage Score Inputs and Delivery

For LPS to provide clients with Mortgage Scores, the client provides mortgage data that is typically available in servicing databases. These required fields include current coupon, original FICO, geography and other loan-level data. A copy of the LPS Applied Analytics loan-level file format is available upon request.

LPS Applied Analytics currently provides Mortgage Scores via a service bureau format:

- Loan-level data is provided by the client or is extracted from LPS systems (e.g., MSP)
- Data is processed at LPS' San Francisco data center
- Mortgage scores are returned via DVD or secure FTP
- Clients can request results in CSV, Excel or SQL Server formats

Putting Mortgage Scores to Work for You

Contact LPS Applied Analytics to begin putting these cutting-edge predictive analytics to work for you. **LPS Applied Analytics can add the power of analytics to your portfolio.**

**Applying the power of
analytics to your portfolio.**



LENDER PROCESSING
SERVICES

LPSAAsales@lpsvcs.com

866.964.8343

www.LPSVCS.com