



CoreLogic®



New Diligence™

For Capital Markets

Because the Old Rules No Longer Apply

The MBS market will never be the same again. The rules are changing—gradually, unavoidably, dramatically. What the market will ultimately become is only starting to emerge.

One thing's for sure, however—risk visibility will be king. No one with money at risk can afford to take securities values on faith anymore.

New Diligence™

The Securitization Dilemma

The risk profile of the new MBS markets has already changed from historical patterns in an unsettling way: the rules themselves have become the primary risk factor.

The mortgage-backed securitization market continues to limp along, crippled by concerns about how quickly GSE involvement will diminish, how much of a factor it is likely to remain, when loan limits will begin to lower—and by how much, and for how long—and...and...

Market uncertainty is at unprecedented levels.

What Is New Diligence?

New Diligence from CoreLogic® harnesses the unequalled breadth and depth of our data, analytics, and human assets to give you fast, accurate, actionable insights into the MBS marketplace—and to prepare you for what's coming next, no matter what it is.

New Diligence combines CoreLogic data, applications, and expertise into carefully focused solutions that provide you the exact insights you need to understand your options in making business choices—and to move faster than your competitors to implement them.

Tailored to your specific needs, New Diligence brings together our full array of:

- ▶ Data resources
- ▶ Analytics and modeling tools
- ▶ Expert advisory consultants
- ▶ Technology

To simplify accurate evaluations of:

- ▶ Loans
- ▶ Pools
- ▶ Portfolios
- ▶ MBS/ABS securities
- ▶ MBS/ABS security derivatives

What Should You Do?

How do you deal with such core business uncertainty? Since there's little you can actually do until the new standards emerge, it's tempting to wait and see. But that carries its own risk—that when some degree of stability returns, you'll be so far behind you can't catch the competition.

A better alternative: prepare for all likely possibilities—all reasonable outcomes.

To prepare yourself for all such outcomes, you should pick a partner with the breadth and depth of resources to anticipate—and understand—any and all of them. You should pick a partner who won't downplay the likelihood of certain outcomes just to mask their own resource limitations.

How Does It Work?

To see how New Diligence can marshal the CoreLogic army of assets to answer your most difficult MBS pricing, performance, trending, evaluation, and forecasting questions faster, more accurately, more clearly than traditional approaches—please read on.

Data Resources

Since New Diligence starts by uncovering accurate facts about the assets driving value, it relies on the completeness and accuracy of our data. Although New Diligence solutions can access any CoreLogic data service—we most often access and use:

- ▶ Non-Agency RMBS securities data
- ▶ Servicing data
- ▶ Home equity data
- ▶ Real estate property data
- ▶ Credit data
- ▶ Match & Append database services



CoreLogic databases are increasingly powering combined-workflow solutions, designed to solve problems quicker by overlaying data in new ways.

Non-Agency RMBS Securities Data

Our LoanPerformance Securities database—the largest repository of loan-level information on the U.S. RMBS market—tracks prepayment and credit delinquency risk on over \$1.3 trillion in RMBS (over 98 percent of outstanding pool balances) plus loan-level detail on the underlying collateral of 15,000+ private-issue mortgage-backed securities (12,000 active). Data is available on two platforms—TrueStandings® Securities and Vector™ Securities—as well as text data.

Servicing Data

Our LoanPerformance Servicing database includes more than 42 million active mortgages, with delinquency, prepayment, and roll-rate metrics at the Zip code-level, offering thousands of analytics options on the full dataset or defined cohorts. These data metrics are available in both the prime and subprime datasets with loan-level data on 28 million loans.

Our TrueStandings Servicing platform offers anonymized filtering and performance-measurement metrics that enable flexible, focused, time-saving ad hoc reporting in addition to its always-current one-click standard reports. Product types covered include all ARM variations with Zip code-level access for granular analysis.

We also provide loan-level access to over 130 million anonymized prime and subprime loans (both active and closed) for data modeling, trending, and custom metric development.

Home Equity Data

Our LoanPerformance Home Equity database includes 7 million+ lines and loans representing 80% of bank-owned home equity loans and lines of credit. The TrueStandings HomeEquity platform from CoreLogic can be used to benchmark home equity and second mortgage portfolios to the national market, to compare your portfolio performance to industry standards—including delinquency, prepayment, and utilization—and to assess credit policy, servicing-cost management, geographic risk levels, and prospective portfolio purchases.

We also make access available to loan-level data on over 50 million anonymized home equity loans and HELOCs to support customer modeling and custom analytics needs.

Credit Data

CoreLogic has partnered with the leading credit reporting agencies enabling capital markets participants to gain access to the most up-to-date borrower credit scores and credit data for non-agency mortgage-backed securities. The solutions consist of anonymized U.S. consumer credit profiles that have been matched to the private-label securitized mortgage deals in the industry-leading loan-level LoanPerformance database from CoreLogic. Investors who currently utilize only traditional loan-level data will find that these solutions afford them a new set of influencers in delinquency and loss forecasting, helping to optimize pricing strategies, improve model accuracy, and enhance deal surveillance.

Match and Append Database Services

Our Match & Append Database Services combine access to the nation's largest property and ownership databases with inclusion of additional metrics uncovered and appended by our network of field researchers—providing you often-unexpected insights into critical risk factors.

From in-depth details about single or multiple properties to markers indicating trends for a neighborhood's properties to historical lending practices and patterns—or any metric you choose—our experts can quickly find and attach them to individual files or entire portfolios.

Data Quality

Evolved over decades, our data quality control system is an enterprise-wide effort that assures the accuracy, completeness, consistency, timeliness, validity, and security of the data in our repositories. We dynamically update all databases continuously, normalize incoming data to streamline its use, classify it to comply with current regulatory standards, and provide advanced security safeguards to assure data integrity, confidentiality, and availability.

Real Estate Property Data

The CoreLogic real estate database, the largest in the world, provides property and lien information covering most U.S. properties and borrowers, including:

- ▶ 99+ percent of U.S. residential properties (145 million)
- ▶ 100 percent of U.S. county, municipal, special tax districts (3141 Counties)
- ▶ 3.5 billion+ public document images, available for real-time delivery
- ▶ 575 million+ historical transaction records, spanning 40+ years
- ▶ 99+ percent of commercial real estate properties (26 million+)
- ▶ 75 million+ mortgage applications

Tax Delinquency Data

From basic tax data solutions to the complete outsourcing of traditional tax functions, our services help 22 of the top 25 servicers manage over 28 million loans, representing over half of all first mortgages in the U.S. As a result of this operational effort, our property tax database has grown to 145 million parcels and our tax delinquency database is now over 25 million records. The scope of this data provides a comprehensive framework from which property tax information can be analyzed and interpreted.

Asset Valuation and Risk Assessment

Once our New Diligence solution team begins accessing the data needed to solve its defined challenge, they may draw upon an array of sophisticated analytics and modeling tools to determine the value of underlying assets and assess current and future risk, including:

- ▶ Bond analytics solutions
- ▶ WillCap™ distressed assets analytics
- ▶ LoanPerformance® RiskModel®
- ▶ TrueLTV™ secondary lien risk
- ▶ GeoAVM™ automated valuation models
- ▶ Broker price opinions (BPOs)
- ▶ CoreScore™ valuation scoring

Bond Analytics Solutions

Our bond pricing and analytics solutions seamlessly integrate LoanPerformance analytics and modeling capabilities with Intex deal models' CoreLogic HPI and HPI Forecasts statistical tools, providing:

- ▶ Improved RMBS valuation plus risk management and surveillance
- ▶ Improved bond pricing accurately predicts collateral loan behavior
- ▶ Simplified insights from a single view of securities, borrower, and real estate data
- ▶ Real estate trends based on Zip code-level historic and projected pricing

LoanPerformance RiskModel

Since every RMBS decision is based on assumptions about future risk, issuers and investors have long relied on RiskModel's continuously updated ability to define and predict these risks. RiskModel leverages the LoanPerformance prime, alt-A, subprime, and home equity databases, subjecting relevant data to rigorous predictive analytics that project the future performance of whole loans, securitized mortgages, and home equity lines of credit.

RiskModel provides robust outputs focused on these key categories:

- ▶ Prepayments, defaults, loss and cash-flow forecasts
- ▶ Mortgage status transitions or roll-rates (current, delinquent, paid off, defaulted)
- ▶ Probability of default (PD)
- ▶ Loss given default (LGD) or severity

Using Monte Carlo simulation methodology, RiskModel creates distributions of possible outcomes given simulated and specified "What if?" scenarios. These enable users to determine which projected outcome aligns best with their investment strategy or regulatory requirements.

WillCap Distressed Asset Analytics

WillCap reveals pivotal borrower intent and behavior that can predict mortgage default. Drawing on property data and borrower demographics, WillCap measures and scores borrower willingness, capacity, and financial distress—classifying them in meaningful clusters.

This information can inform:

- ▶ Portfolio valuation and pricing: asset managers, whole loan traders, securities issuers and investors can manage and price distressed loan portfolios with greater accuracy.
- ▶ Portfolio strategy: a portfolio view of distressed loans can help define strategy by clarifying how various treatment strategies will affect portfolio performance.
- ▶ Portfolio surveillance: identifying defined borrower, property, and market movements can signify the need for implementing a different treatment approach.

TrueLTV Secondary Lien Risk

With TrueLTV, you can reveal potential default and prepayment risk exposure by determining the level of mortgage debt risk on a property:

- ▶ Exposing all open mortgages per property
- ▶ Estimating the current market value from our PASS® Prospector AVM
- ▶ Calculating the equity (or negative equity)
- ▶ Calculating the cumulative loan-to-value ratio (CLTV)

GeoAVM Automated Valuation Models

Our GeoAVM suite of automated valuation products and services derives its name from a sophisticated geo-preference sorting system that auto-analyzes the historic accuracy of each AVM in each geographic area to determine an impartial and accurate AVM cascade. By simultaneously examining potential factors that may include geography, price tier, property type, subject property factors and other variables, GeoAVM cascades reduce the time and money spent on valuation compared to more traditional processes.

Broker Price Opinions (BPOs)

Our nationwide network of 12,000+ brokers and agents delivers high-quality broker price opinions (BPOs), filling a critical intelligence gap for our issuance and investor customers.

Our BPOs offer important benefits:

- ▶ The ability to meet high-volume valuation needs quickly and affordably
- ▶ Highly accurate valuations for greater confidence in decision making
- ▶ Appropriate disposition sales prices to curtail missed opportunity losses

CoreLogic on-site BPO reviews verify property information and assess property condition faster and more affordably than full appraisals. Because we're also a leading provider of AVMs, full appraisals, and various hybrid valuation services, we understand the role BPOs play—and how to ensure they deliver the unbiased accuracy, speed, and reliability needed for complete confidence.

CoreScore Valuation Scoring

Assessing a home's value requires solid knowledge of its surrounding market. There are many characteristics that determine price and on-market time, including:

- ▶ Foreclosure rate
- ▶ Foreclosure exposure
- ▶ Distress dominance
- ▶ School district rank
- ▶ Crime rate
- ▶ Sale price

The CoreScore grade captures these and other factors for quick reference, with an accompanying report clarifying elements that factored into the score. This straightforward presentation of real-world valuation influences allows the home's projected valuation to conform more closely to the likely value that the market would produce were it sold today.

Housing Analytics and Market Trends

Home Price Analytics and Market Trends

If a New Diligence challenge includes a significant pricing component—or depends on statistical projections of future portfolio or bond performance—the team will access our state-of-the-art real estate statistics toolset, the Real Estate Analytics Suite. Its components include:

- ▶ CoreLogic Home Price Index
- ▶ CoreLogic HPI Forecasts
- ▶ MarketTrends
- ▶ ValueTrends
- ▶ ListingTrends
- ▶ HPI Valuation Engine

CoreLogic Home Price Index

The CoreLogic Home Price Index (HPI) delivers the most comprehensive early view of current home price trends, a critical factor in mortgage and market risk assessment. Whatever your role—originator, broker-dealer, servicer or hedge fund investor—success in real estate finance requires fast, accurate, robust assessment of the associated risks.

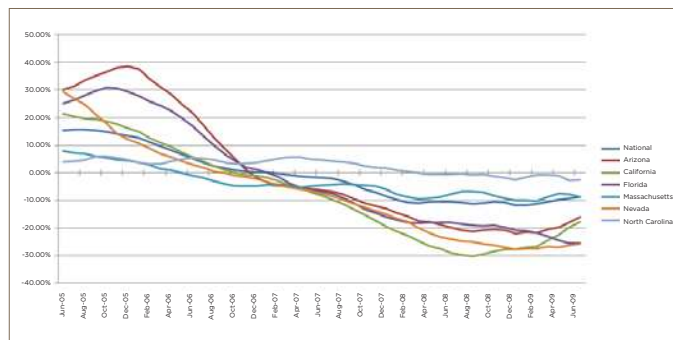
CoreLogic HPI Forecasts

Home price forecasting is vital for anticipating key trends and future volatility in real estate markets. However, forecasting methodologies vary greatly and can yield decisively different results. CoreLogic HPI Forecasts is designed to bring rigorous professional discipline to the process so our clients can accurately gauge future real estate risk.

The CoreLogic Home Price Index forecasting model predicts house price movements at the Zip code, county, CBSA, state and national levels at monthly intervals. In each geographic market, the model generates predicted house price changes up to 24 months in the future.

Current HPI and HPI Forecast coverage includes:

- ▶ 6300+ Zip codes
- ▶ 1000+ counties
- ▶ 960 CBSAs
- ▶ 50 states + DC



Real Estate Analytics graph showing 12-Month HPI change data comparing the national HPI trend to those of selected states.

ValueTrends

ValueTrends represents a new concept in property valuation trend statistics, placing an AVM value on all properties in given geographic areas (states, CBSAs, counties, Zip codes) then calculating maximum, minimum, median, and mean home price values and providing:

- ▶ Local home price distributions
- ▶ Market validation at granular and macro levels
- ▶ Independent value perspectives
- ▶ Objective risk and opportunity assessments

Since ValueTrends evaluates a continuously evolving stock of houses by the same yardstick over time, it provides a competitive market appraisal snapshot at any given point in time.

HPI Valuation Engine

The HPI Valuation Engine is a unique tool which facilitates the estimation of market value for single or multiple properties using the CoreLogic Housing Price Index (HPI). The HPI Valuation Engine requires only three property level inputs: Zip code, prior sales date and sales amount, to trigger a proprietary and intelligent cascade mechanism that generates a market value. The Home Price Index Valuation Engine has a 100% hit rate. The CoreLogic cascading methodology selects the ideal tier and geographic combination maximizing the probability that the estimated market value will be within 10% of the actual property value. HPI Valuation Engine also produces a confidence score, which assesses the accuracy and quantifies the confidence in the estimate. The HPI Valuation Engine allows clients to rapidly identify value and prioritize risk according to market exposure.

ListingTrends

ListingTrends is a unique modeled data set we derive from our MLS partners and listing data providers. It provides the kind of real-world information needed to analyze housing inventory supply and price trends with real confidence.

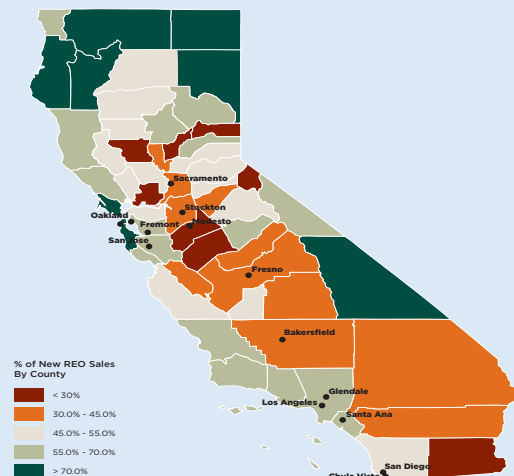
Statistics derived from ListingTrends data offer early insight into emerging real estate risks and opportunities. Updated monthly, ListingTrends is a bellwether of changing trends, providing timely indicators of the current housing market and its possible future direction.

ListingTrends property-level data is captured monthly, scrubbed, modeled, and aggregated at the Zip code, county, CBSA, state, and national levels—resulting in comprehensive U.S. coverage.

MarketTrends

MarketTrends is the industry's only neighborhood report on home sales, market distress, negative equity, and mortgage performance. Each month CoreLogic combines Zip code-level public records of home sales, prices, foreclosure filings, and mortgage performance data to provide a snapshot that identifies potential expansion opportunities, valuation trends, performance analysis, and benchmarking standards.

Derived from multiple CoreLogic data sources—including public record, servicing and securities databases—MarketTrends reveals underlying market health at all geographic levels.



MarketTrends map showing California new REO sales by county.

New Diligence Advisory Services

With expertise in banking, bond trading, hedge funds, rating agencies, financial engineering, mortgage origination and mortgage servicing, our Advisory Services professionals will help you structure the New Diligence solution you need to find the answers you want.

New Diligence Consulting

Our consultants have access to the full spectrum of CoreLogic skills and resources to help you cut through external complexity and internal confusion and find the New Diligence information you need to move forward quickly, clearly, and painlessly—including:

- ▶ Whole loan and RMBS valuation and pricing
- ▶ Predictive modeling and analytics
- ▶ Portfolio, performance benchmarking
- ▶ Capital risk weighting
- ▶ Cash flow projection
- ▶ Hedging strategies

New Diligence Services

Our Data Advisory Group team provides expert assistance in using our wealth of data and analytics/modeling tools to create quick, custom-targeted results. With experience in buy-side perspectives, bond trading, credit ratings, financial engineering, and mortgage origination and servicing, we cut through complexity and confusion to find the information, insights, and ideas you need—quickly, clearly, painlessly.

Our group's New Diligence specialties include:

- ▶ Custom due diligence services
- ▶ Reps and warrants analytics
- ▶ Bond pricing and OTTI adjustments
- ▶ Whole loan pricing
- ▶ Asset management improvement
- ▶ Dynamic credit hedging strategies.
- ▶ Retroactive, current and forecast appraisal management

Due to our ongoing participation in industry and government advisory organizations, we are also extremely well-versed in likely new compliance and disclosure requirements stemming from Dodd-Frank and other regulatory initiatives.

Reps and Warrants Analytics

Material errors in mortgage loan files can significantly affect the outcome of MBS-based litigation. Identifying those errors—and spotting any outright fraud—is a New Diligence service we offer during the pre-trial investigative process.

Examples of criteria we investigate include:

- ▶ **Inflated appraisals** A comparison between our retroactive AVM property values and the original appraised values can detect disparities that lead to LTV misrepresentations.
- ▶ **Unsecured liens** Our public records data can validate that mortgages are recorded at county clerk's offices, establishing the required lien on the property.
- ▶ **Broken chain of title** Are your loans currently assigned to the Trust—or can another party lay claim to the collateral because the assignment chain is incomplete? Our data can differentiate between such potential exposure and a secured lien appropriately assigned.
- ▶ **Occupancy fraud** With numerous occupancy indicators, our data can supply collective information that either supports or refutes stated occupancy claims.
- ▶ **Non-disclosure of concurrently owned properties** By cross-referencing property and borrower data with transaction data, we can determine concurrent ownership histories. These might represent additional liens that were not properly disclosed on the mortgage application. They could also supply additional evidence of occupancy status of the securitized property.

Technology

The new collaborative cloud computing applications and architecture from CoreLogic Dorado automate data handling throughout the mortgage process—from origination through securitization—integrating real-time borrower, organizational, and market information into the workflow, to give lenders, servicers, issuers, and investors a more transparent view of loan and transaction processing.

CoreLogic Dorado automated capabilities enable transaction decision-makers to move faster, at less expense, and with more accuracy—using technology that provides:

- ▶ Highly scalable loan origination platforms
- ▶ Multi-channel and loan type activity plans
- ▶ Rich Internet Application (RIA) user interfaces
- ▶ Full workflow and document management
- ▶ Ease of integration via service-oriented architecture

We offer the first enterprise-level system capable of producing loans using a fully compliant, consistently high quality, an efficient process—one that front-line users actually enjoy using.

Reviving Securitization

We hope that by bringing clarity, simplicity, and transparency to the bond evaluation process, New Diligence will help eliminate the single greatest threat to the future of securitization: distrust.

Using our vast real estate, mortgage, and RMBS securities databases and powerful analytics tools, we believe we can provide a welcome opportunity for issuers and investors to judge the real-world value of securities for themselves—by understanding the assets underlying them.

New Diligence is about building transparency—and renewing confidence and trust.



corelogic.com

FOR MORE INFORMATION PLEASE CALL 1-415-536-3500

© 2011 CoreLogic

CORELOGIC, LOANPERFORMANCE, TRUESTANDINGS and RISKMODEL are registered trademarks of CoreLogic
CORESCORE, NEW DILIGENCE, TRUETV, WILLCAP and VECTOR are trademarks of CoreLogic
All other trademarks are the property of their respective holders.

1-CAPMARKETS-0311-02