

Equifax Verification Services

Transforming Data into Business Value



Joe Houston

Solutions Director, Financial Services Group

Equifax Verification Services (formerly The Work Number)

Agenda

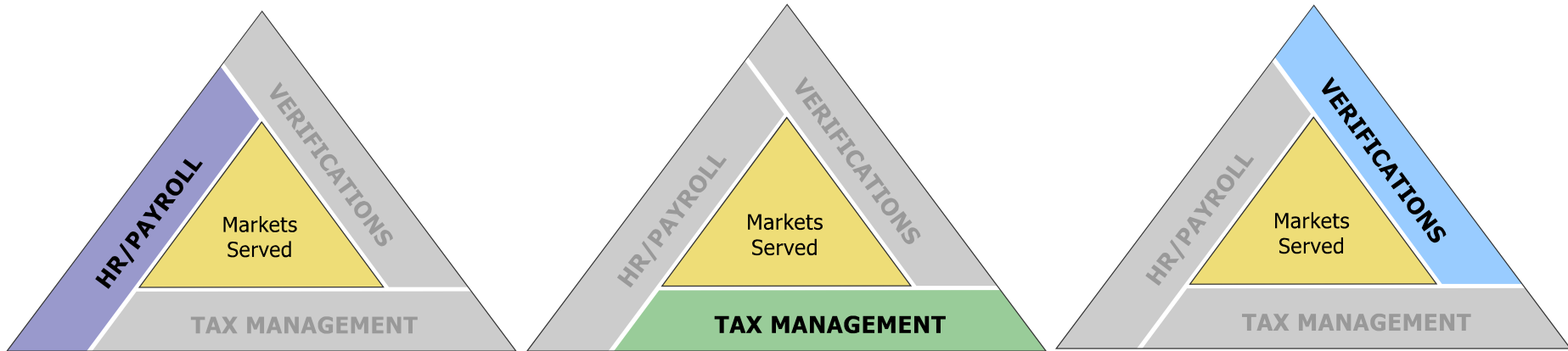
- › Equifax Verification Services
- › Our Unique Data
- › Solutions Offered
- › Why Verify?
- › Challenges
- › Spectrum

Equifax Workforce Solutions

Parent Company: Equifax, 2007 (NYSE: EFX)

Outsourcing/Automation of time and/or paper intensive HR functions

Mature service with dynamic growth (16+ years of service)



HR Payroll Services

- Fulfill Employment Verification Requests
- Unemployment Claims Management
- Paperless Pay
- W-2 Management
- I-9 Compliance
- Electronic Time Entry and Approval
- Onboarding
- Assessments and Talent Management

Tax Management Services

- Unemployment Tax Management
- Tax Credits and Incentives

Verification Services

- Instant Employment & Income
 - Alerts
 - Filtered
 - Select Data Elements
- Researched Employment & Income
- IRS Tax Transcript Fulfillment
- SSA Identity Authentication
- Deposit and Assets
- Hazard Insurance
- Undisclosed Debt Monitoring (UDM)

Equifax Verification Services

- Publicly held; standards-based
 - Fannie Mae 1003 certified
 - FCRA best practices
 - SAS 70 Compliant
 - **ISO 27001 Certified** Only 322 companies in the US have this certification!
 - Secure client confidential information
- Results validated
 - Over 70,000 organizations use Equifax Verification Services
 - Daily usage by Financial Institutions nationwide for loan origination, account monitoring, fraud prevention and collection purposes

Our Unique Data Asset

- › Rapid delivery of authentic employment & income information **direct from employers**
 - Largest central source of consolidated employer information: The Work Number database
 - Since 2005, The Work Number database grew over 52% while US employment grew <5%
- › No models – only real, employer-reported payroll data
- › Employer-direct data:
 - **210 MM total**/live employment records
 - **51 MM current** employment (active)
 - ~160 MM previous employment (historical / work history)
 - **2,200** employers send data to us each time they process payroll
 - Employers do not contract with multiple services; **if we have it, no one else does!**
- › Extensive footprint:
 - **1/2** of Fortune 500
 - **3/4** of Fortune 1000
 - **1/2** of civilian Government employees
- › Achieving ~ 50% coverage of US Workforce by 2014 (non-farm employment)

Employer data contributors (partial list)

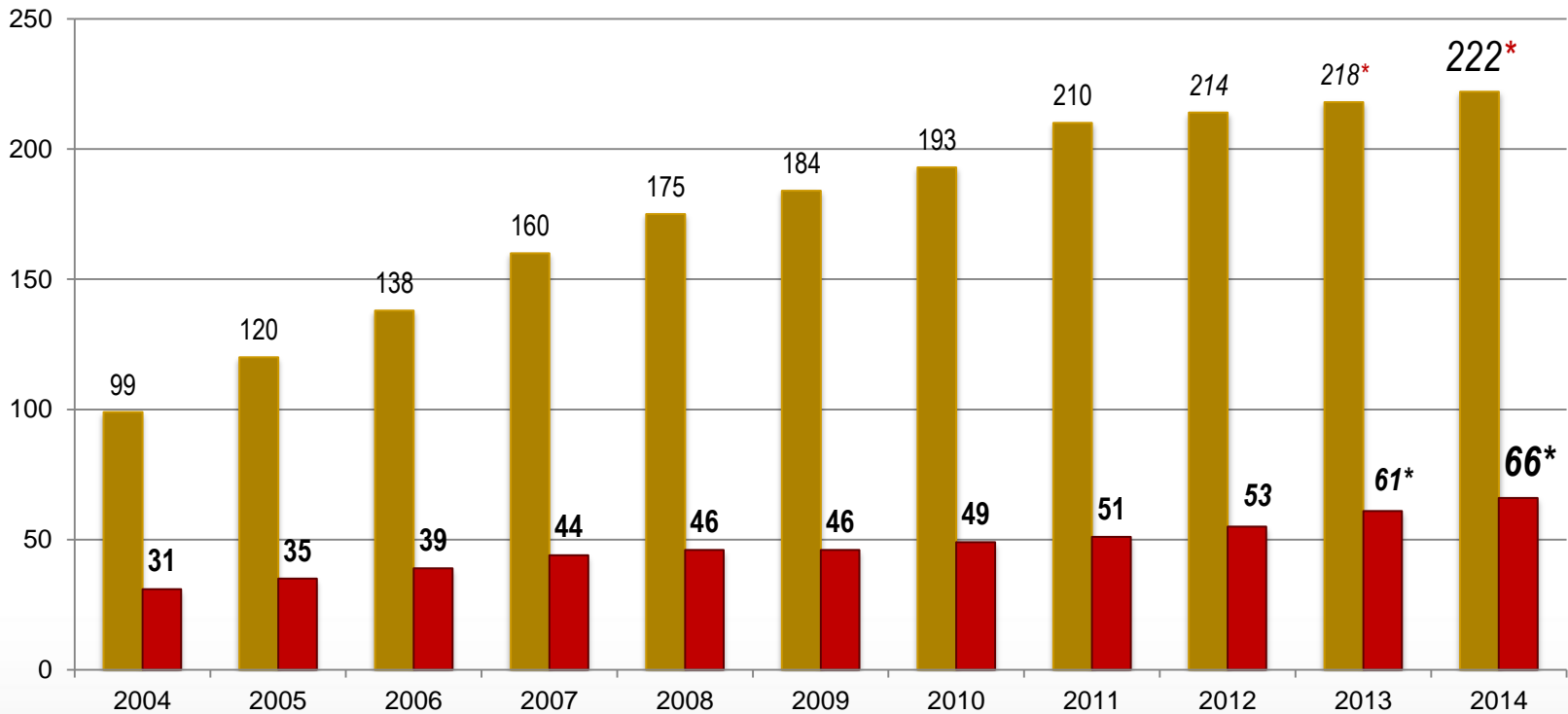
- Over 2,200 U.S. employers
- Contributing over 210MM total records (51MM active employment)
- Represents over 50% of Fortune 500 & 95% of Federal Government



6/20/2013

The Work Number[®] Total Database Growth

- Current employment records, in millions
- Total employment records (current & historical), in millions



** projected*

Can I Rely on Applicant-Provided Data?



Accuracy

Honest mistakes and intentional misrepresentation make applicant-provided data unreliable



Consistency

Information is often inconsistent, incomplete, and doesn't conform to underwriting guidelines



Availability

Waiting for applicant-provided data can disrupt business processes and timelines and result in missed opportunities

Why Not Perform My Own Verifications?

› Consistency

Equifax verifications are meticulously documented and stand up to QA reviews and rigorous underwriting guidelines

› Compliance

Our verification processes are tailored for compliance with ever-changing regulatory requirements:

- › Regulation Z
- › Fannie Mae LQI
- › Dodd-Frank QRM

› Cost

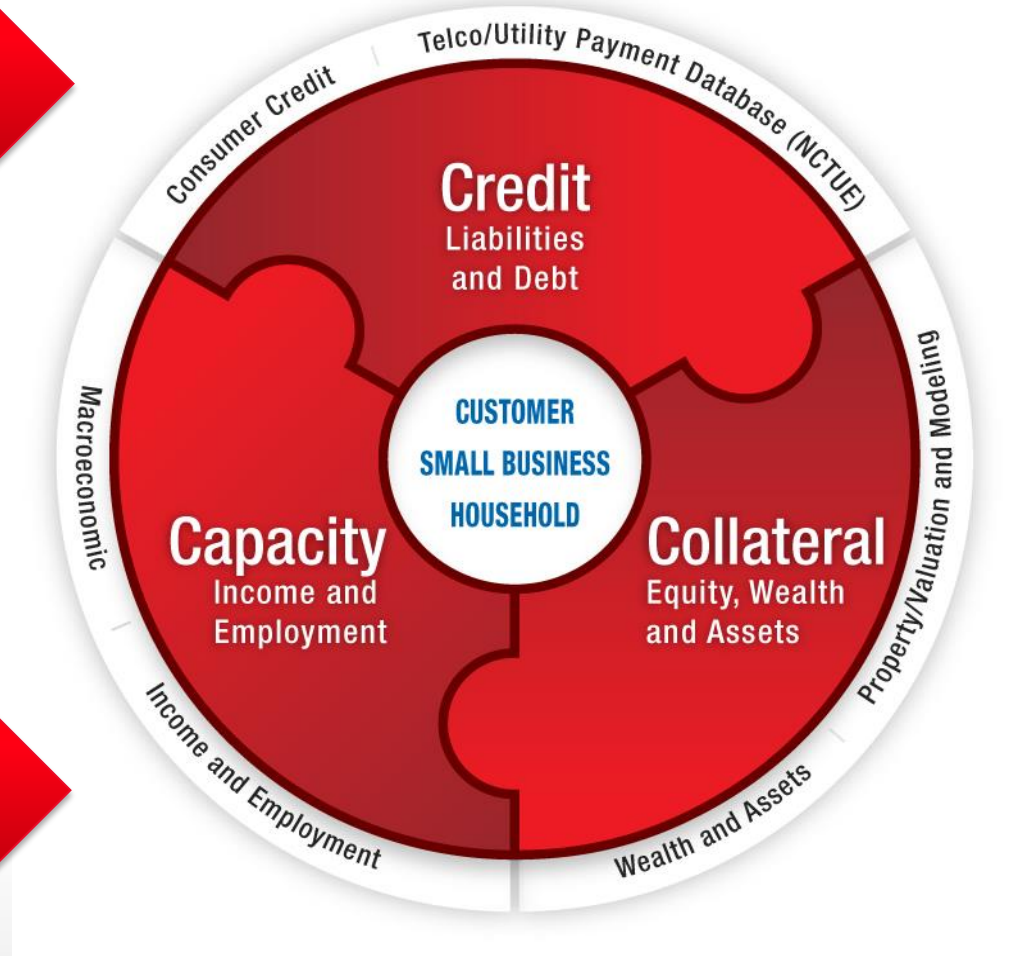
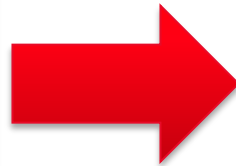
True cost analysis reveals a clear value in outsourcing to Equifax Verification Services

Equifax Delivers a *True 360°* Consumer View

- **250 million** credit records
- **2 billion** telecomm/utility payment records for **110 million** consumers — 12% no-file / thin-file population

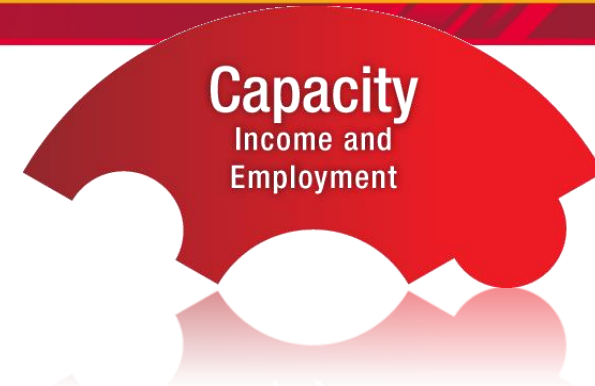
- **220 million** employment/income records supplied by **2,500** employers — the largest real-time repository of U.S. employment and income data
- IRS income data for **100%** of U.S. taxpayers via Form 4506-T

- Exclusive wealth/asset data repository, covering **~50%** of U.S. investment assets
- Full property and valuation data on **>75 million** U.S. homes, including MLS-driven AVM with **80%** hit rate

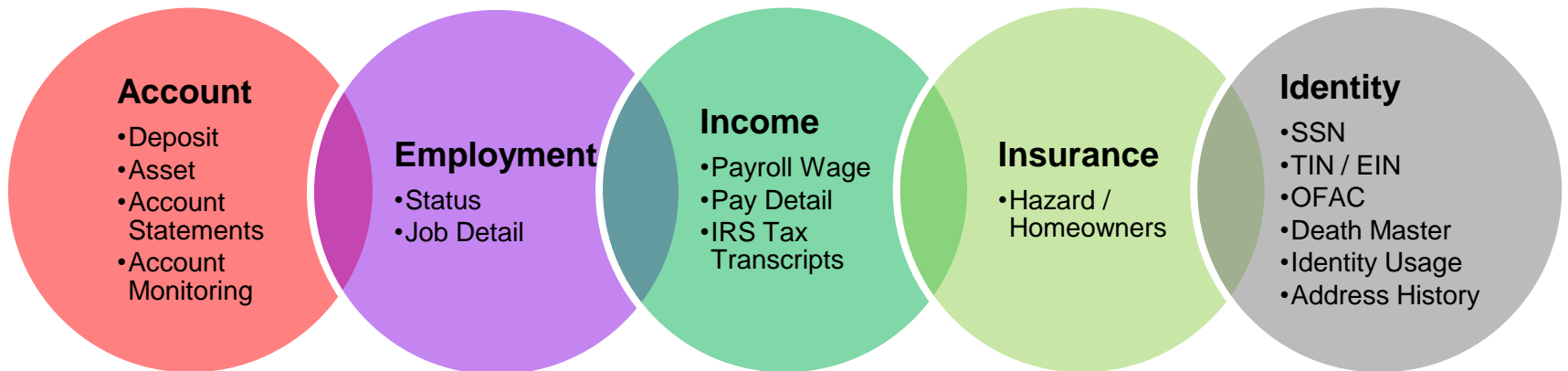


Why Verify Capacity?

- Credit history assesses *propensity* to pay
- Verification confirms **ability** to pay



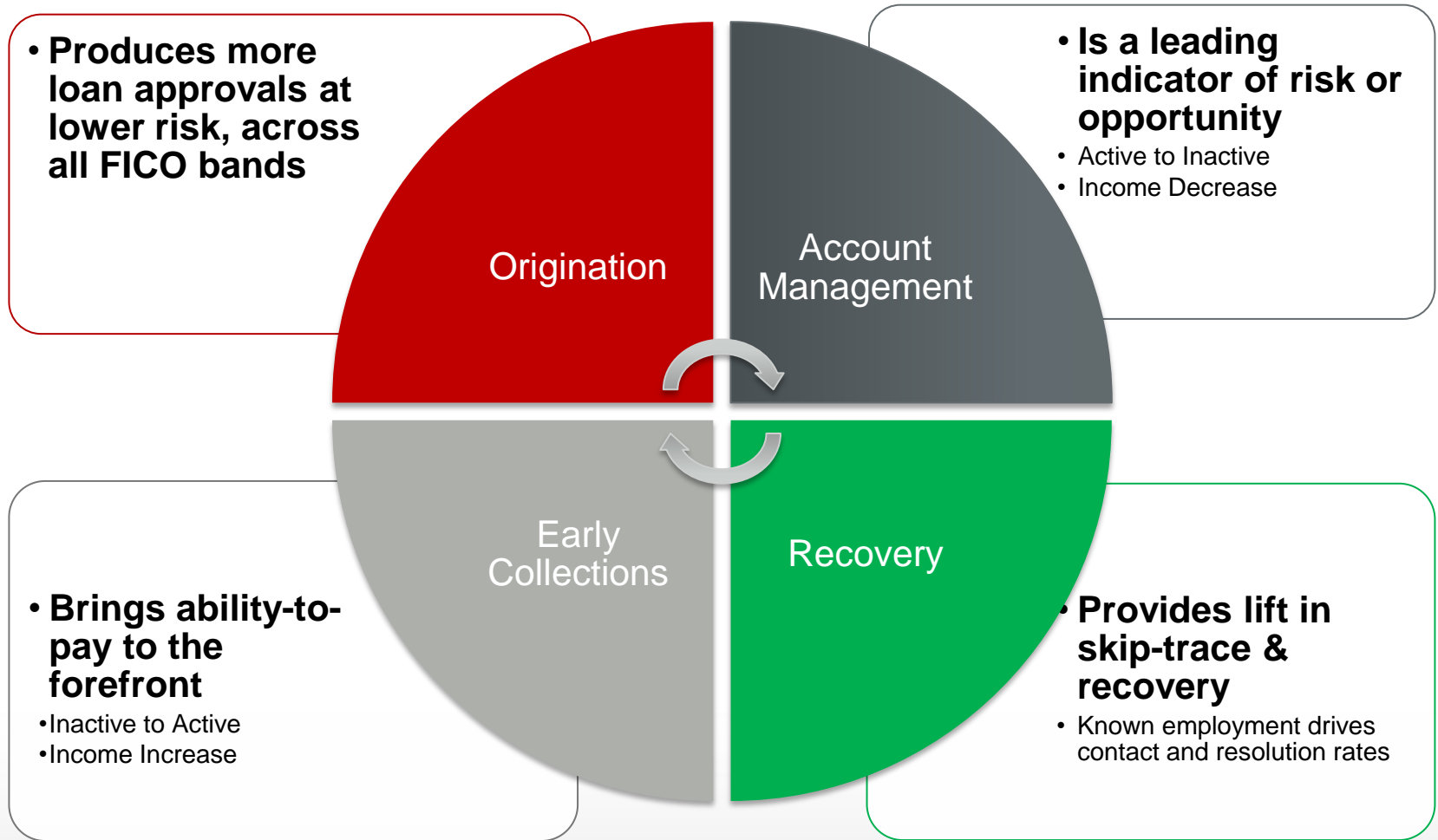
Our Complete Verification Solution:



- **Access Options**
 - “Vision” Platform
 - Online
 - Data Feed
 - Partner/Portal
 - System-to-System
- **Data Levels**
 - Individual
 - Household
 - Business

- **Direct Data Sources (provided appropriate consumer consent)**
 - The Work Number® database
 - Third-Party databases (when applicable)
 - Internal Revenue Service (IRS)
 - Social Security Administration (SSA)
 - U.S. Department of Treasury / OFAC
 - Online Financial Accounts
 - Public Records / Data Aggregation
 - Call Center Agent Outreach

Verification uses throughout the account life cycle



Equifax Verification Services

Spectrum Platform – More Data, More Insights



Solutions for Today's Mortgage Lenders

› The Spectrum Advantage

- Vast data resources, unique data assets
- Best-in-class workflow processing
- Technology integrations



Our Benefit to You

- Streamlined operations
- Fraud mitigation
- Improved loan quality
- Flexible capacity management
- Reduced cost
- One vendor, one platform for all your verification needs

Administrative Savings

Per Loan Verification Processing:

Employment	Income	Deposits & Assets	Identity	Homeowners Insurance
\$16	\$10	\$13	\$11	\$12

(Savings calculations based on feedback from a top mortgage lender)

Savings of **\$62** per loan

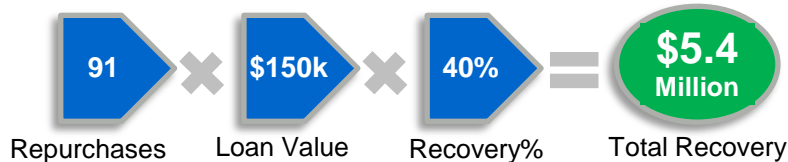
Consistent Quality

- › Standardized, specialized process
- › Single source for all loan verification-related information
- leads to -
- › Reduced re-work at underwriting **and** closing due to solid documentation at every step of the verification process

Savings of **\$15** per loan

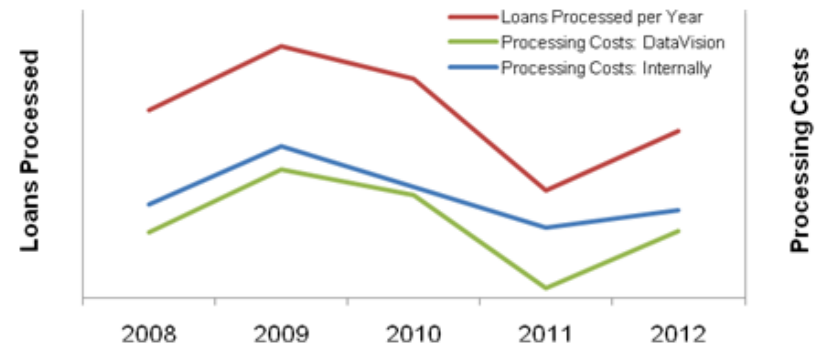
Repurchase Risk Mitigation

- › Client: Top 5 originator & loan servicer repurchase demands
- › Challenge: Understand fraud and underwriter error-related repurchase risk
- › Impact: Investigation revealed income calculation errors in +20% of files – enabled put-back of 91 loans.



Savings of **\$455** per loan

Flexible Capacity Management



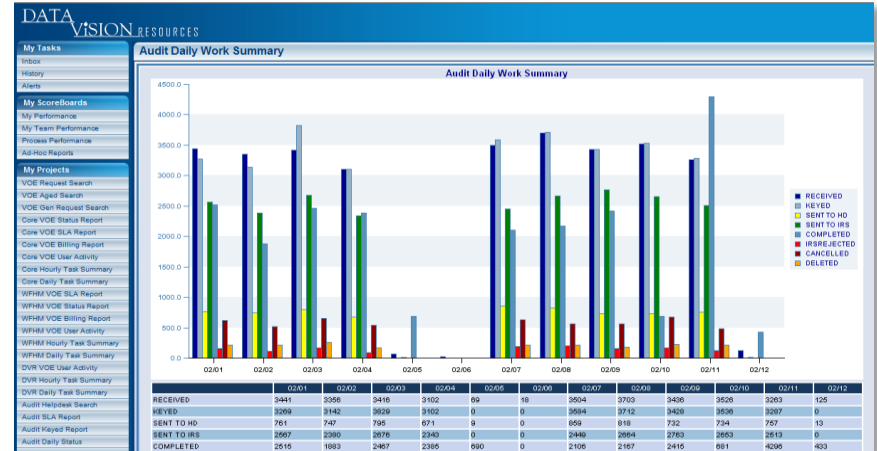
Savings of **\$2** per loan

Net: risk mitigation, administrative cost savings, enhanced quality and flexibility to manage capacity generates a savings in excess of **\$500/loan**

Current Products

Service	Information Required	Documentation Returned
Income (VOI)	signed 4506-T	W-2 transcript; tax return transcript
Deposits & Assets (VOD)	1006, or data entry + release authorization	PDF of 1006
Identity and Address	name, SSN, DOB	PDF of Deathmaster, OFAC, ID & address usage
SSA Authentication (VSSN)	completed form SSA-89	PDF of SS verification from SSA
Current Employment (VOE)	1005, or data entry + signed borrower authorization	VVOE form, or FNMA 1005 + supporting documentation (PDF of The Work Number/3 rd party report)
Hazard Insurance (VOHI)	Name and phone number of borrower's insurance agent	PDF of current declarations page with correct loan number and mortgagee clause
Undisclosed Debt Monitoring (UDM)	Name, address, SSN Date original credit report was pulled	Alerts returned on new tradelines, inquiries or secondary use that have hit the consumer's file from the point of application until the file closes.

Robust, Common Reporting



VOI SLA Report

Report Filters
 Start Date: 12-15-2009 End Date: 12-21-2009 Get SLA Report

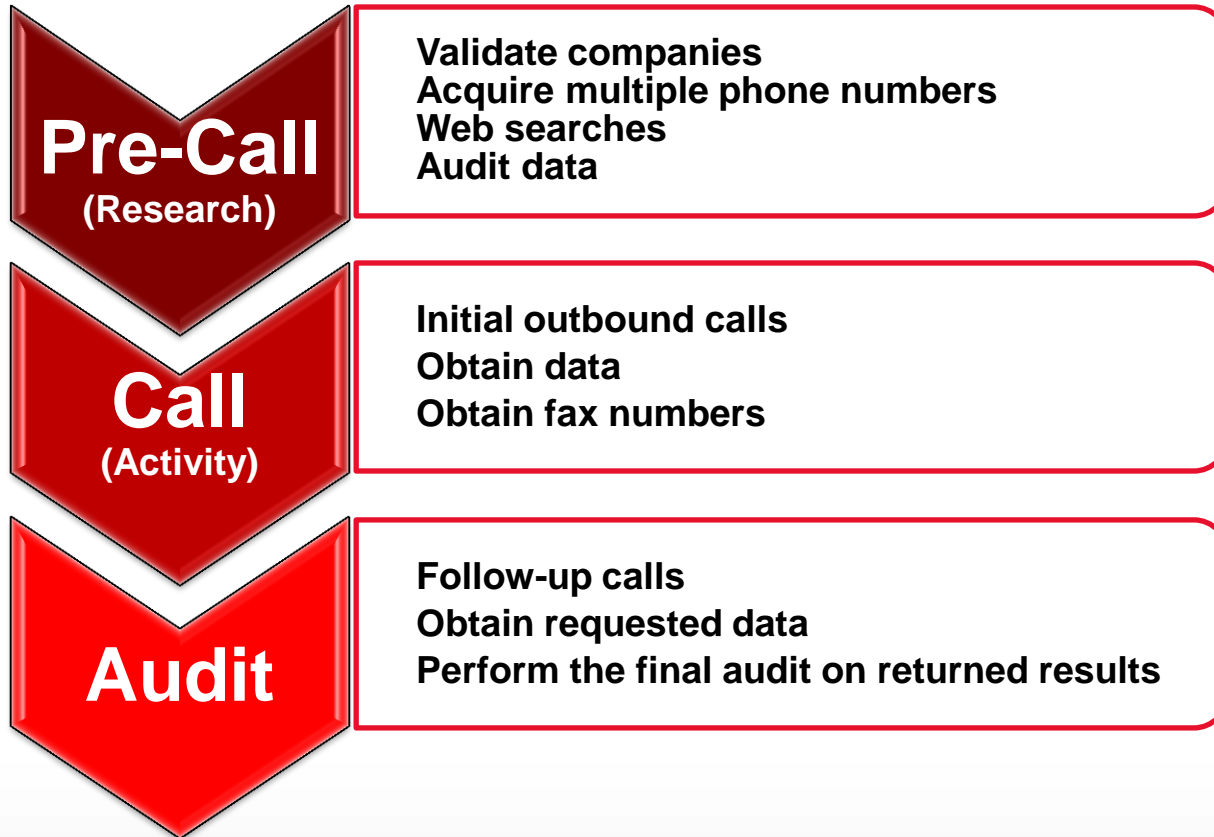
VOI SLA Performance
 Click on a Release Date to view a drill down report for the selected date.

Release Date	Released #	Completed		Incomplete		HD	Cancelled	Current SLA %
		< 48 Hrs	> 48 Hrs	< 48 Hrs	> 48 Hrs			
12/15/09	1039	1011	0	7	0	21	99.31	
12/16/09	169	166	1	0	2	0	99.40	
12/17/09	790	774	5	0	3	8	98.98	
12/18/09	384	369	0	6	9	0	100.00	
12/19/09	0	0	0	0	0	0	0.00	
12/20/09	0	0	0	0	0	0	0.00	
12/21/09	202	42	0	156	0	3	100.00	
Totals	2584	2362	6	162	10	24	99.33	

The **Release date** is the date the request was released to be submitted to the IRS.
 The **Received date** is the date the 4506T was received to be keyed.

VOE Daily Status Summary		Work in Progress																											
Date Submitted	VOE Type	Total Submtd	Completed					DVR Activities										Customer Activities											
			Totl	Stand ar	Ext Site	Cncl	Precal	Comnts Rvw	Web Srch	Call Day1	Call Day2	Call Day3	Clbck Wait	Empl Flwp	Extnl VOE	Mai VOE	Wait Cnst	Fax Fail	VOE Flwp Audit	Total DVR	Invid VOE	Comnt Rvw	Prcl HD	Cnsnt Req	Call VOE	Call HD	Audit HD	Total WF	
01/14/10	Verbal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
01/14/10	Verbal Rush	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
01/14/10	Written	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0
01/14/10	Total	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0
01/15/10	Verbal	6	0	6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
01/15/10	Verbal Rush	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
01/15/10	Written	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0
01/15/10	Total	7	0	6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0
01/16/10	Verbal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
01/16/10	Verbal Rush	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
01/16/10	Written	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
01/16/10	Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
01/17/10	Verbal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
01/17/10	Verbal Rush	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
01/17/10	Written	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
01/17/10	Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
01/18/10	Verbal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
01/18/10	Verbal Rush	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
01/18/10	Written	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
01/18/10	Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
01/19/10	Verbal	2	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1	0	0	0	0	0	0
01/19/10	Verbal Rush	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
01/19/10	Written	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Consistent Processing



Why Verify through Equifax?

Relationships. Data. Expertise.

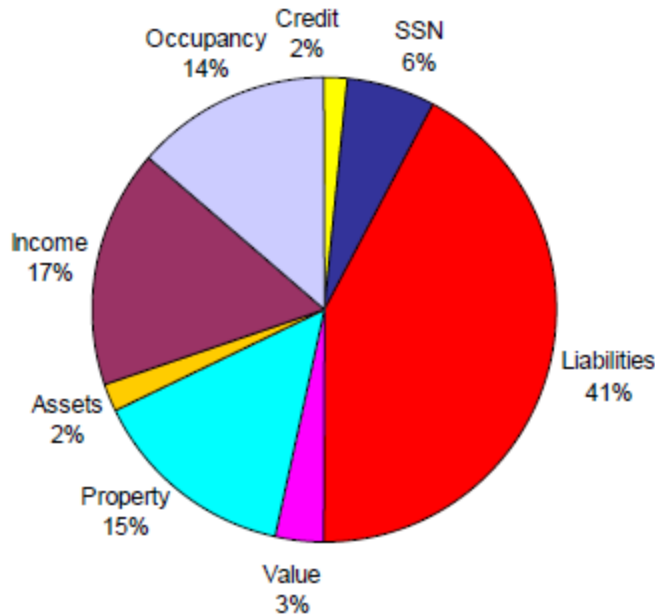
- A single source for **all** loan/file-level verifications
- Helps mitigate both applicant and “insider” fraud
- A market leader in employment and income – our core competency
 - Unique employer relationships and payroll database
 - Accurate and rapid delivery of income from date requested
- Automated workflow produces efficiency, scalability and flexibility (a variable cost model)
 - Proven cost savings over internally verifying applicants
 - Complete and consistent documentation

Fraud and Misrepresentation in the Mortgage Industry

Distribution of Misrepresentation Findings by Type

The following pie charts depict the distribution of significant misrepresentation findings by type.

2012 & 2011 Originations



Types of Misrepresentation Findings

Credit = The borrower's identity and/or credit history was/were misrepresented.

SSN = There is a significant discrepancy in the SSN(s) used to qualify the borrower(s).

Liabilities = The borrower's liabilities were misrepresented.

Value = The property value was inflated and there was non-property-related misrepresentation in the loan transaction.

Property = A specific material fact about the property and/or the comparable sales was misrepresented.

Assets = The borrower's asset information was inflated or fabricated.

Income = The borrower's income/employment information was inflated or fabricated.

Occupancy = The borrower's intent to occupy the subject property was materially misrepresented.

Distribution of Misrepresentation Findings by Geography

The following maps and charts depict the distribution of loans with significant misrepresentation findings by region, and by the top "zip3" areas (first three zip code digits and a representative city).

FEDERAL HOUSING FINANCE AGENCY



NEWS RELEASE

For Immediate Release
September 11, 2012

Contact: Corinne Russell (202) 649-3032
Stefanie Johnson (202) 649-3030

**FHFA, Fannie Mae and Freddie Mac Launch New Representation and Warranty Framework
Increased Transparency and Certainty for Lenders**

Washington, DC – The Federal Housing Finance Agency (FHFA) today announced that Fannie Mae and Freddie Mac are launching a new representation and warranty (rep and warranty) framework for conventional loans sold or delivered on or after Jan. 1, 2013. The new rep and warranty approach, part of a broader series of strategic initiatives called seller-servicer contract harmonization, aims to clarify lenders' repurchase exposure and liability on future deliveries.

Washington, DC – The Federal Housing Finance Agency (FHFA) today announced that Fannie Mae and Freddie Mac are launching a new representation and warranty (rep and warranty) framework for conventional loans sold or delivered on or after Jan. 1, 2013.

The new model moves the focus of quality control reviews from the time a loan defaults up to the time the loan is delivered to Fannie Mae or Freddie Mac.

Lenders will be relieved of certain repurchase obligations for loans that meet specific payment requirements, for example, rep and warranty relief will be provided for loans with 36-months of consecutive, on-time payments

- Conduct quality control reviews earlier in the loan process, (30 to 120 days after loan purchase);
- Establish consistent timelines for lenders to submit requested loan files for review;
- Evaluate loan files on a more comprehensive basis to ensure a focus on identifying significant deficiencies;
- Leverage data from the tools currently used by Fannie Mae and Freddie Mac to enable earlier identification of potentially defective loans;

Undisclosed Debt Monitoring™ via Spectrum

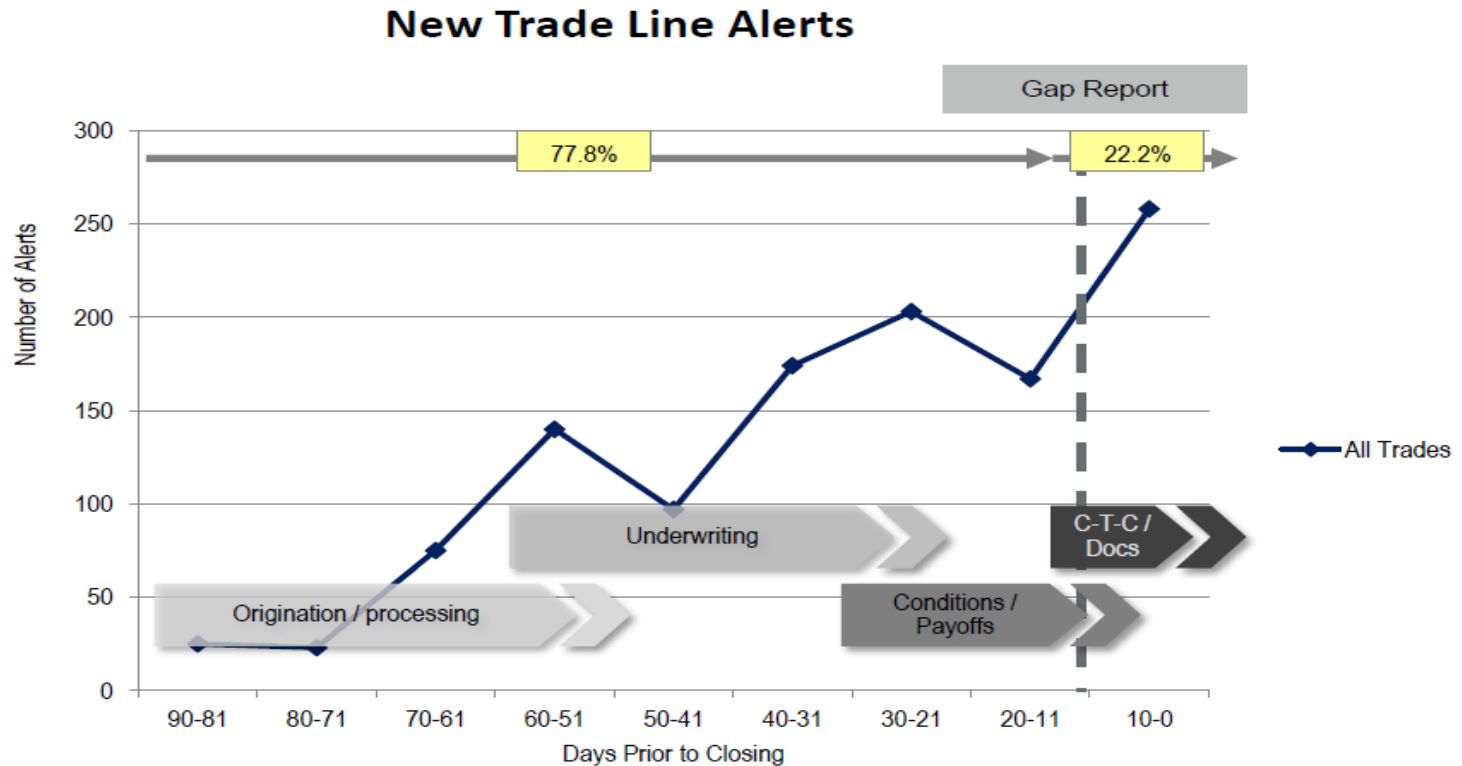
What it is/does:

- A proprietary platform that monitors the period of time from the original credit file pull to the closing of the loan (sometimes called the “blind spot” or “quiet period”), providing daily alerts of potential risk associated with mortgage loans in the customer’s pipeline

The value it brings to the lenders:

- Promptly communicates with lenders regarding specific activities during the underwriting process
 - Our platform is “always on”
- Streamline underwriting and quality control (QC) efforts
 - Timely alerts of borrower activity helps prioritize manual underwriting reviews by focusing on applicants and transactions that represent the highest level of risk for repurchase
- Improve the confidence level of investors, mortgage insurers and regulators
- Immediately improve the quality of new mortgage loan vintages
- Reduce the significant costs of repurchasing “broken loans”
- Reduce long-term exposure to repurchase loans that become delinquent or default

Comparison - UDM vs. "Snap Shot" Report



4,800 loans from the UDM database were reviewed for this sample during June 2012. Over 1,100 new trades were captured from 956 loans during the monitoring period for this sample and 22% of those new trades were reported 10 days or less prior to closing.

What Makes UDM Unique

- Works for Retail, Wholesale and Correspondent Lending
- Covers all types of new consumer activity:
 - Trade Lines
 - Inquiries
 - Secondary Re-Issued files
- UDM can be used for only those loans that have been pre-approved or are likely to close
- Works regardless of lender's preferred credit vendor
- Eliminates any gaps between application and closing
- Sends notifications of which loans have new inquiries or obligations
 - Eliminating up to 80% of the loans you need to review, which saves personnel time and costs
- Notifies you throughout the process to improve customer service and productivity
- Significantly reduces or even avoids last-minute processing "fire drills," rate lock expirations, delayed or cancelled closings as well as costs associated with these issues
- Allows tracking and reporting for management, agency and regulator review

Questions?

Equifax Verification Services

Transforming Data into Business Value

