

## CASE STUDY

# How Did a Top 15 Lender Uncover \$68 Million In Undisclosed Mortgage Debt In Just Three Months?

### Supplemental Credit Research Analysis

#### Executive Summary

Can supplemental credit data improve a Top 15 mortgage lender's pre-funding Quality Control processes and help them identify undisclosed mortgage debt?

To answer this question, CoreLogic<sup>®</sup> Credco<sup>®</sup> conducted an analysis of 3,481 funded loans from Q1 2012. Utilizing the data found in CreditIQ, Credco discovered that over 25 percent of the funded loans had previously undisclosed credit data, including a total of \$68 million in undisclosed open mortgage debt. Based on this and several other findings presented below, this test demonstrated the benefits of using supplemental credit data in evaluating an applicant's credit history and risk.

#### Background

A Top 15 mortgage lender was looking for a way to reduce repurchase risk due to previously undisclosed mortgage debt. The need to QC loans at pre-funding for undisclosed debt to meet GSE lending requirements is imperative.

The lender asked Credco to show whether the use of the supplemental credit data provided by CreditIQ could significantly reduce repurchase risk beyond what they are currently seeing using traditional credit sources.

#### CREDITIQ DATA COVERAGE:

Records Analyzed: 3,481

Records with Unique  
CoreLogic Information: 26 percent

Unique Supplemental Credit Data Not  
Found on Traditional Credit Reports\*:

- ▶ 19.4 percent Mortgages
- ▶ 1.7 percent Public Records
- ▶ 7.1 percent Rental Inquiries

**70.6 percent of consumers had a property record associated to them in the CoreLogic Credco databases.**

## Findings and Analysis

Credit IQ discovered significant additional debt responsibilities such as open mortgage liens on owned properties. In addition, CreditIQ also provided the lender with unique public record information ranging from bankruptcies to evictions and tax liens.

- ▶ CreditIQ revealed unique mortgage data (current and paid obligations) on nearly 1 of 5 applications (19 percent)
  - ◆ 60 percent of the mortgages discovered were open, existing liabilities representing \$68 million in undisclosed outstanding mortgage debt
- ▶ CreditIQ separately identified undisclosed public records (liens, bankruptcies, evictions, judgments) on 3 percent of all applications
  - ◆ Financial obligations from liens, evictions and judgments were \$1.5 million
- ▶ The presence of incremental open mortgages was 25 percent more likely for borrowers who scored 720 or above using a FICO® score generally used by lenders today
- ▶ Analysis showed that more supplemental credit data was present on applicants in the higher credit score ranges (680 or higher):
  - ◆ 75 percent had unique tenant / rental inquiries
  - ◆ 58 percent had unique public record data

## Results

When implemented, this lender may benefit in the following ways:

- 1. Better risk management**  
Locating undisclosed debt at pre-funding as opposed to post-funding will result in better lending decisions and reduce buyback requests.
- 2. More efficient underwriting processes**  
By identifying previously unknown risks earlier in the process, this lender will be able to focus their limited underwriting resources on only the most promising applicants, weeding out less promising candidates earlier than previously possible. This will result in a more streamlined and cost-effective underwriting process.
- 3. Improved clarity into overall consumer risk**  
Landlord/tenant inquiries and additional undisclosed public record data were present in both prime and subprime borrowers. Having access to this information early in the lending process can help the lender improve loan pricing and refine its underwriting criteria.

\* CoreLogic defines traditional credit reports as those sourced from any of the three national repositories (Equifax, TransUnion or Experian) that use information provided by major creditors—such as banks, credit card issuers or loan servicers.

For more information about CreditIQ, visit [credco.com](http://credco.com)