CoreLogic®
Credco®

CASE STUDY

How Did a Mortgage Insurer Find $399 Million In Undisclosed Mortgage Debt?

Supplemental Credit Research Analysis

Executive Summary

Can supplemental credit data help a top three national mortgage insurer improve its default management?

To answer this question, CoreLogic® Credco® conducted a retrospective analysis on 21,902 files (a random sample of new policies and claim requests) between January and June 2012. Running the data found in CreditIQ against this loan population, Credco discovered unique data not present within traditional credit reports associated with 36 percent of the loans, including unique open mortgages valued at $399 million.

CREDITIQ DATA COVERAGE:

Records Analyzed: 21,902

Records with Unique CoreLogic Information: 36 percent

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

- 20.2 percent Mortgages
- 11.2 percent Public Records
- 10.5 percent Rental Inquiries

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

Background

A top three national mortgage insurer was seeking ways to improve its risk assessment claims and default management processes specifically related to recommendations for approving loan workout scenarios. If the insurer can improve these scenarios, it would lessen its overall exposure since it must pay out claims on any loans that foreclose.

The insurer asked Credco to analyze whether the use of the supplemental credit data, and the increased visibility to a consumer's credit behavior provided by CreditIQ, could help determine if a loan modification is an acceptable solution. In particular, expanded credit data available with CreditIQ was used to improve the degree of insight into the level of financial hardship claimed by the borrower.

In short, could the data in CreditIQ help provide a more accurate determination for accepting or rejecting a loan modification request?

Findings and Analysis

CreditIQ provided the insurer with additional insight into a number of the loans analyzed.

- CoreLogic Credco discovered unique supplemental credit data not present in traditional credit reports in nearly 36 percent of the loans
- Unique mortgage data was identified in 20 percent of the loan population—and for 43 percent of that population, an undisclosed open mortgage was identified
    - These open mortgages represented $399 million in open liabilities
- An undisclosed public record filing (liens, bankruptcies, evictions, judgments) was identified in 11 percent of the loan population
    - Financial obligations from liens, evictions and judgments totaled $74.2 million
    - A majority of these public records (76 percent) were discovered on those with FICO® scores under 620.
- Rental inquiries were identified in 11 percent of the loan population.
    - Of these inquiries, 40 percent were attributed to consumers with FICO scores above 620.
        - When considering a loan workout, if a rental inquiry appears simultaneously with a property ownership record, this could possibly indicate that the home is no longer owner occupied

Results

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

1. **Improved Loan Workout Programs**
   With a greatly expanded view of the overall credit picture on each loan, this insurer can now better assess the risk of potential loan workout programs. They can mitigate losses through increased modifications where economic hardship is more clearly and broadly seen in the expanded credit file, and also in the denial of claims where inconsistencies (e.g., open, current but undisclosed mortgages or property) were evident and may indicate a lack of economic hardship on the part of the consumer.

2. **Better Insurance Pricing Decisions**
   The additional credit information provided by CreditIQ gives a clearer picture of overall loan risk. By locating information such as undisclosed mortgage debt, the insurer can now base their policy pricing decisions on a more complete set of information. This will allow them to give more favorable terms for people who show lower risk and more appropriately priced terms for higher risk borrowers.

For more information about CreditIQ, visit credco.com

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