CREDIT LENDERS℠
SERVICE AGENCY, INC.

Celebrating Our 20th Anniversary

4th Quarter, 2002

Today's Information, Using Tomorrow's Technology

FREDDIE MAC'S HOME VALUE EXPLORER℠

As a lending professional, you know that Automated Valuation Models (AVMs) expedite business processes while lowering costs. Credit Lenders Service Agency, Inc. is proud to announce the addition of the premiere AVM -Freddie Mac's Home Value Explorer (HVE℠) to our list of products and services.

What is the advantage of using HVE?

HVE is designed to streamline the lending process by cutting days off the collateral assessment cycle - saving hundreds of dollars on every transaction. Now lenders and brokers in need of fast, accurate valuations can benefit from the proprietary data, modeling expertise, industry knowledge and long standing reputation only Freddie Mac brings to the market.

This year we are celebrating our 20th anniversary. We would like to thank all our customers for their business and loyal support. We look forward to many more years of providing you with the quality products and service you can trust. We would also like to thank all of our employees who are also celebrating milestone years of service and we wish everyone a happy and safe holiday season.

Mortgage Companies often have unique situations that require creative thinking - HVE provides solutions for:

- Refinance approvals - On the spot confirmation of client's home value
- Seller concessions - Instant determinations of property values without traditional appraisal costs
- Customer-centric valuations - Clients can access HVE via your corporate homepage - gaining the knowledge they need, at the price they want - all from their own home
- Home Equity Credit - HVE expedites Home Equity Credit Processing, as well as other niche products

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BORROWERS AND LENDERS PAY PRICE IN MORTGAGE FRAUD

Institute ranks states with some surprising results

By HOLDEN LEWIS

Scripps Howard News Service

Excerpts

Mortgage fraud costs honest borrowers a lot of money. How much is anyone's guess. Investigators know that mortgage fraud runs rampant, especially in the traditional hotbeds of Florida and California.

The owners of mortgage debt lose money on fraudulent loans that go bad, and the losses ultimately are passed along to borrowers. So you would expect mortgage rates in high-fraud states to be higher, right? It's not that simple. Look at Miami and Houston.

The Mortgage Asset Research Institute, which collects and analyzes data about mortgage fraud, compiles an annual, state-by-state fraud index in which a score of zero indicates no reported fraud and 100 indicates that the reported fraud for the state is exactly what you would expect, given the population. In the first 10 months of 2001, Florida scored near the top at 174. Texas scored 38, so it had relatively little fraud.

Even though Florida has a much higher rate of fraud, lenders in Miami offered better rates than lenders in Houston, according to data collected weekly by Bankrate.com. In 2001, the top 10 banks and thrifts in Miami offered an average mortgage rate of 6.96 percent, while the top 10 banks and thrifts in Houston offered an average mortgage rate of 7.08 percent.

There are two basic kinds of mortgage fraud. There's the type where someone falsifies information to get an application approved. Then there's the kind in which an organized ring systematically fleeces lenders by "flipping" properties -- buying and selling them rapidly at greatly inflated prices, backed up by phony appraisals, and pocketing the loan money.

How much does all this cost? "Nobody knows and I doubt that anyone will ever know," says James Croft, executive director of the Mortgage Asset Research Institute. "Most companies don't know because they can't differentiate between credit risk losses, fraud losses, or a combination of the two."

Take someone who falsifies his paycheck stubs and tax returns to qualify for a mortgage that he otherwise wouldn't qualify for. He is laid off four years later and goes broke. The lender forecloses on the house and loses money because of legal and renovation costs, lost interest income, and Realtor commissions. Do you count that as a fraud loss, a credit-risk loss, or both? Ask three bankers and you might get three answers.

There is no dispute over the type of loss caused by land-flip rings, such as the alleged $15 million scheme uncovered in 2001 in Miami. Luis Lorie and his wife, Lourdes, were accused of engineering a scam in which "interim buyers" bought houses from legitimate sellers. The interim buyers immediately sold the houses to "straw buyers" at hugely inflated prices backed by phony appraisals. The straw buyers collected the purchase money from mortgage lenders that were duped by the phony appraisals. Participants in the scam split the ill-gotten proceeds. The lenders lost money.

In the end, the biggest loser isn't necessarily the lender or the investor who unwittingly buys fraudulent mortgage debt. "It's the consumer, because every mortgage lender has to factor in something to take care of their losses, whether those losses are from credit risk, fraud or any other source," Croft says.

If a mortgage broker or loan officer encourages you to falsify information on your loan application, or asks you to keep signature lines blank, walk away and report the incident to your state's office of consumer protection or bank regulation.

You can find your state's contact number by visiting StopMortgageFraud.com, clicking on "Report Abusive Lending" at the top right corner of the page, and typing your ZIP code in the box toward the bottom of that page.

EMPLOYEE SPOTLIGHT

EILEEN M. LENAHAN
Background:
Eileen Lenahan started in the lending industry as a teller for New Jersey National Bank (now First Union / Wachovia) in 1984 while attending Temple University. Her career with Credit Lenders began in 1985 as a Credit Investigator, and she was promoted to Team Leader within her first year.

During Eileen's tenure with Credit Lenders, she has overseen several areas of the operation, including independent offices in Delaware during 1986, and Hackensack, NJ in 1988, and the Credit Lenders Appraisal department. Eileen was promoted to Vice President in charge of Operations in 1987. In 1991, Eileen relocated to Las Vegas, Nevada and pursued a career as a Mortgage Underwriter while attending the University of Nevada, Las Vegas.

In 1995, Eileen returned to Credit Lenders as Vice President of Operations for Credit Related Products. Eileen is certified with Associated Credit Bureaus and is currently pursuing a teaching certification with the National Association of Credit Reporting Agencies.

Eileen was born in Camp Lejune, North Carolina into a Marine Corp. family. She grew up in Philadelphia, Pennsylvania and moved to Berlin, New Jersey at the age of 11.

Eileen and her boyfriend Don enjoy reading.

Marketing Intelligence/Joanna L. Krotz

YOU CAN'T SKIMP ON EMPLOYEE BACKGROUND CHECKS

MSN Marketplace

Excerpts

A few years back, two armed robbers were caught ransacking an upscale California home and they wound up shooting the owner. The thieves hadn't expected anyone to be there.

That's because they knew a lot about that house and its security. The pair had spent hours in the home, as carpet cleaners for a service that caters to wealthy homeowners.

The cleaner-robbers had a clever scam. Most affluent owners don't hang around when house cleaners arrive. So, typically, one guy worked while the other roamed, casing the contents, alarm systems, doors and windows. Then they left, only to return several months later to rob the place. Victims never made the connection to the carpet service - until the shooting.

When the robbers were found, the homeowner sued the service. It turned out that the men had criminal records and felony convictions before they were hired. The company was found guilty of "negligent hiring." Its owners had to pay $11 million in damages.

When you tally the dollars and time it takes to recruit, interview, hire and train an employee, it doesn't make sense to cheap out on verifying background details. That may be especially important for smaller businesses where staffers often have multiple responsibilities. Even tiny employee lies can hurt your firm's reputation or bank account. And one bad hire can do enormous damage.

YOU DO THE MATH

Today, it costs roughly $50 for a professional pre-employment screening. Such searches ran $200 a few years ago. Prices are dropping as technology takes over.

Most third-party background checks are now completed in three to five days via expert searches of computerized public records and personal databases. When red flags are raised, investigators follow up the old-fashioned way, by phone and wearing out shoe leather.

HEIGHTENED CONCERNS

Lately, the efficient price and worries about safety brought on by Sept. 11 have led to more frequent employee screening in Fortune 500 and other large corporations. By contrast, midsize and small firms are still reluctant to spend resources on screening. Yet hundreds of job seekers fudge facts or outright lie about their skills, experience or education. That goes for seemingly inconsequential details and for VIP candidates, too.

Remember short-time Notre Dame football coach George O'Leary? He was forced to resign in 2001 for fabricating details on his résumé about his playing record at the University of New Hampshire and about having a master's degree in education from New York University.

CHECKS AND BALANCES

The need to investigate potential hires seems obvious for certain positions, such as security and law enforcement, health care and child care.

More broadly, you should consider screening any potential employees who will interact with the public, work in customers' homes or offices, or handle financial or other sensitive information.

"You don't need a criminal background check for every hire," says PeopleWise's Cornick. "But at a minimum, you should check information on an application form and verify basic information on a resume."

The key to protecting yourself is doing your best to verify information provided by candidates. Keep some written document of your efforts, including whoever you talk to, the dates and the questions you ask, while making every reasonable effort to check employee statements.

KEEP IT LEGAL

State and federal laws police the kinds of information employers can use when making employment decisions. Most states follow federal guidelines, but there are variations, with California being the most complicated and New York a close second. Check your state's requirements before proceeding.

The majority of federal protections for worker privacy and rights are overseen by the Fair Credit Reporting Act of 1971 (plus significant amendments in the late 1990s), the Privacy Act of 1974, and the Americans with Disabilities Act of 1990, among others.

Most regulations kick in only when you hire a third party to do the investigation. If you verify information yourself, many laws do not apply. Even so, research the issues or talk to an employment lawyer or a veteran human resources consultant before beginning. You want to set up clear company policies about screening and select positions that require background checks.

Do not, for example, investigate random candidates or applicants who make you suspicious. That appears arbitrary and discriminatory and could lead to legal trouble. The idea is to consistently screen for a position, rather than investigate any individual.

Before beginning, you must gain written permission from the candidate. There are strict guidelines about that, too. Permission must be on a separate sheet of paper and in a specific size of type and so on.

WHAT TO LOOK AT

Reports range from simply verifying social security numbers to full-dress investigations, much of it from public records, including:

- Education records
- Arrest, court or criminal records
- Credit reports or bankruptcy filings
- Driving records and vehicle registrations
- Medical records and workers' compensation
- Military service records
- Property ownership
- State licensing records
- Character references or interviews with neighbors
- Employment verification

There are specific regulations about investigations that result in an "adverse employment action." In other words, legally, you can refuse to hire people for some things and not others. You must also let the candidate know what you've learned, in writing, and give him or her "reasonable" time to rebut the information.

And, by the way, if a previous employer will only confirm dates of employment and offer no other information, don't assume the worst. Employers are now so concerned about liability that they routinely adopt such reference policies, even for valued ex-staffers.

All this is why third-party investigators earn their fees. Good ones understand the nuances and know all the rules.

EmpFACTS, a product of Credit Lenders Service Agency, Inc., is your solution to all your investigative and hiring needs.

CREDIT LENDERS℠
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(Continued from front page, "Freddie Mac's Home Value Explorer℠")

How does it work?

HVE offers convenience and easy access. With as little as a street address and zip code, HVE can quickly generate a property valuation report.

Reports are generated on demand from your desktop or they can be submitted in a batch basis.

HVE Reports Include:

- Value Range
- Estimate of Property Value
- Confidence Score - Low/Med/High
- Up to 10 Recent Neighborhood Sales
- Subject and Recent Sales Property Characteristic Details

Why do I need Freddie Mac's HVE?

As an industry leader, Freddie Mac has set the standard in mortgage and lending tools - HVE holds true to this tradition by:

- Providing the most precise estimates available today
- Having the greatest geographic coverage available - to include 50 states and the District of Columbia, totaling over 2,300 counties.
- Engaging proprietary data sources
- Commanding high hit rates (Valuation data (hits) on over 70% of all the properties submitted.

As the market grows, AVMs are fast becoming the solution of the future. Get a head start on the competition - erase doubts, minimize risks and close loans faster than ever before by using HVE for property valuations on demand.

Freddie Mac's Home Value Explorer is brought to you by Credit Lenders Service Agency, Inc. For more information please contact your Credit Lender's Sales Representative at 1-800-624-3303 or visit our website at www.creditlenders.com