

***PUBLIC-PRIVATE INVESTMENT PROGRAM*****FIRST AMERICAN CORELOGIC SOLUTIONS  
FOR ASSET VALUATION, CASH FLOW, AND  
LOAN-LEVEL RISK ASSESSMENT**

An Overview of the Application of  
First American CoreLogic & LoanPerformance  
Capabilities to the Public-Private Investment Program (PIIP)

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## Summary

### **The Key to Success: Transparent, Loan-Level Valuation Tools**

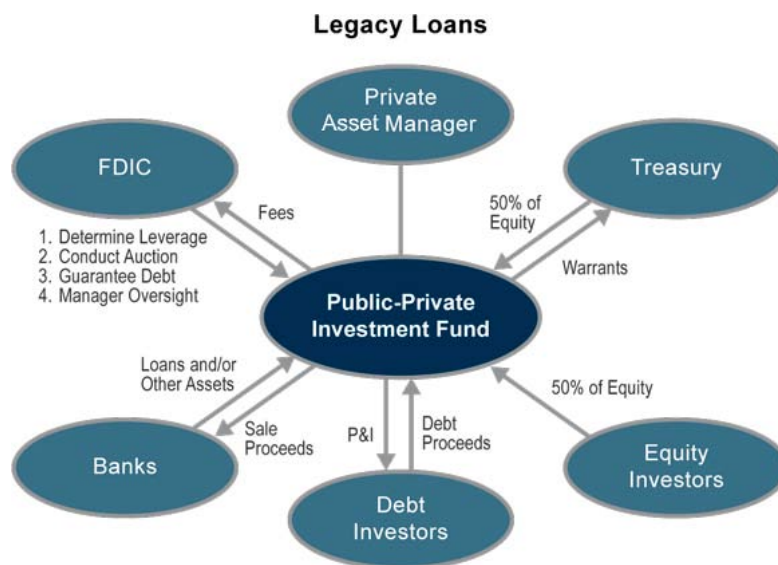
The central purpose of the PPIP is to remove distressed assets from institutional balance sheets by helping banks and investors price them at levels that will reignite the market—with buyers and sellers taking advantage of government guarantees of lowered risk. For a program of this size and sophistication to operate efficiently while at the same time maximizing the potential for return of capital to the U.S. taxpayer, it must utilize accurate, up-to-date, trustworthy loan-level intelligence—using tools designed to provide complete transparency on mortgage loans and property valuations, and the securities supported by them. This already-daunting challenge is further complicated by the inherent difficulty of marshalling, validating, and consolidating so much loan, property record, and securities data in so aggressively brief a time. While most financial institutions have mountains of raw data, they also have a limited capacity to make sense of it, do so quickly, and deliver the kind of accurate, compliant, authoritative portfolio and loan-level intelligence that will enable careful risk management and decision-making.

Ultimately, the success of the Public-Private Investment Program (PPIP) will hinge on the transparency of the valuation process. The attractiveness of the program's troubled loans and toxic assets to investors and the fairness of the pricing for taxpayers will drive the public's perception of the program. If the market doubts the validity of the valuations, participation will be drastically reduced or completely precluded. If taxpayers suspect Treasury is overpaying for discounted assets, they and their governmental representatives will create a storm of public controversy. These assessments—to be performed under an unprecedented public microscope—must be fair, fast, and above reproach. They must be completed with transparency, use proven data and evaluation technologies to provide authority, and be executed expeditiously and efficiently—hopefully to help ease the economic crisis as quickly as possible. The key to PPIP's success—to unlock frozen credit nationally and worldwide—is the choice of the tools that will be used to accomplish it.

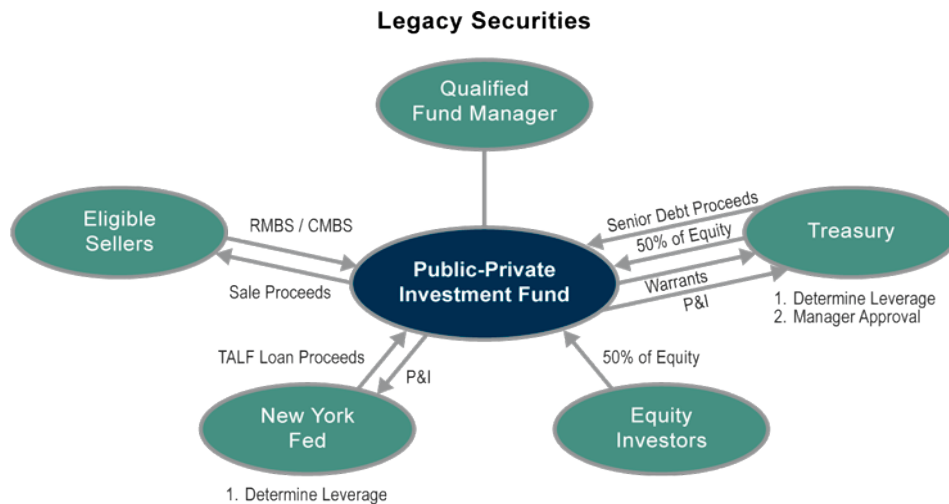
### **Multi-Faceted Opportunities—Loans and Securities**

The FDIC and Treasury Department's Public-Private Investment Program has two parts, one for legacy loans and one for legacy securities. Both are designed to reduce or remove the toxic assets currently undermining the U.S. banking system.

- Legacy Loans Program** Under this program, Treasury and private investors will jointly contribute equity to form public-private investment funds (PPIFs) to purchase pools of loans and other assets from government-insured depository institutions. The PPIFs will leverage their equity by issuing non-recourse FDIC-guaranteed debt to finance a portion of the assets.



- Legacy Securities Program** Under this program, private asset managers pre-approved by Treasury will raise private capital and receive matching Treasury funding to acquire RMBS and CMBS through another public-private investment fund. Asset managers who meet government guidelines will be eligible to receive additional financing from the Treasury equal to 50% to 100% of the total equity capital.



### A Unique Opportunity

When we first analyzed First American CoreLogic's resources and capabilities in light of the PPIP, we quickly sensed that the alignment between our talents/resources and the program's needs was simply uncanny. Put more formally, we are uniquely positioned to effectively assist all potential participants in this program, including bank sellers, Treasury, the Federal Reserve, FDIC, asset managers, loan portfolio servicers, whole loan traders, issuers and investors. Many of the leading players in these categories are already our clients. Our data and analytics have been used—and trusted by—more market participants targeted by the PPIP process, and more government agencies, than any competitor anywhere.

### Largest Property, Ownership, Collateral, Fraud, Mortgage, Mortgage Securities Data Resources

First American CoreLogic created and maintains the most current and comprehensive property, borrower, collateral, fraud, mortgage, and mortgage securities databases in the United States. That coverage includes:

- o 97% coverage of properties, representing 99.7% of the US population
- o 94% of real estate sales transaction
- o 87% of mortgage financing
- o 98.5% of US ZIP codes
- o 3,059 counties in all 50 states
- o 50-million active first lien and home equity mortgages
- o \$7+ trillion of active agency and non agency mortgage servicing
- o 96% of all non-agency mortgage-backed securities

These property, credit, fraud, mortgage, and securities databases are available immediately to help Treasury, FDIC, Federal Reserve, asset-management partners, investors, and third-party advisors, satisfy the accuracy, transparency, and trustworthiness requirements of the PPI Program's due diligence, risk management, and asset-disposition components.

## Single-Source Solutions: Data and Due Diligence

### *First American CoreLogic Data Repository*

The First American CoreLogic Data Repository combines property and LoanPerformance loan-level intelligence to provide the most complete transparency to the valuation and asset management process. It delivers a 360-degree view of risk reporting and analysis at the portfolio, individual property, and loan-level—including current liens and loan-to-value, comprehensive property valuation, total asset verification, current as well as future credit and duration risk analysis.

#### **The Data Repository**

First American CoreLogic Data Repository simultaneously analyzes multiple data streams affecting each loan in a portfolio—measuring them as properties, as financial obligations, as dynamically-changing collateral values, as reflecting historic ownership patterns, as possibly fraudulent transactions, and as components of securitized bonds. After drawing information from all First American CoreLogic and LoanPerformance property, borrower, collateral, loan fraud, mortgage servicing, and mortgage securities databases, as needed, it seamlessly employs the analytical, evaluation, and reporting capabilities of LoanSafe, TrueLTV, RiskModel, LoanPerformance HPI, MarketTrends, Value Trends, IncomePro, IdentityPro, ThirdParty Scorecard, GeoAVM Cascade, HomePriceAnalyzer, ValuePoint4 Default, PASS, and PowerBase AVMs.

### *Due Diligence*

Granular due diligence at the loan and security level will be at the heart of the PPIP program for all participants: whether protecting an equity stake as an investor or assuring selling participants as to the nature of their assets. First American CoreLogic due diligence combines expert underwriting talent with powerful analytics tools to provide comprehensive loan-level clarity cost-effectively. These analyses include:

- Comprehensive predatory lending compliance examination (federal, state and local regulations)
- Evaluation of borrower's credit history and capacity to meet obligations
- Determination of current collateral market value Identification of potential misrepresentations or fraud

#### **Due Diligence Services**

First American CoreLogic offers the industry's only comprehensive credit and collateral due diligence services solution. Drawing from an extensive toolset that includes massive, trusted databases, proven analytical technologies, and expert due diligence professionals, we can quickly demystify portfolios, determine values, and forecast performance—*before* you set a price, allocate reserves, or otherwise commit to high-consequence decisions. Utilizing our *BRAIN* proprietary software application, we build customized solutions that focus on the relevant credit, compliance and collateral risk attributes that are specific to each loan, across the credit spectrum, both performing and non-performing. The result is a current risk/value assessment that is comprehensive and timely, providing our clients a real competitive edge.

## A Closer Look at the Capabilities of First American CoreLogic

First American CoreLogic has developed and widely deployed a suite of industry-proven, category-dominant analytics tools that automate dynamic, transparent analysis of loans, loan portfolios, and MBS/ABS securities. These solutions are immediately deployable, fully customizable to facilitate both portfolio valuation and management, particularly during the pricing analysis necessary for the planned asset auctions.

### ***Dynamic Loan-Level Assessment, Surveillance, and Management***

Prior to any asset purchase, an initial segmentation of all dimensions of risk can illuminate the presence of critical or hidden information (e.g. a current and combined LTV) to guide accurate pricing and portfolio management decisions. Given the current national downturn in housing prices, many of these assets will require ongoing monitoring and management until circumstances of timing, demand, and available qualified buyers permit resale. The same tools can be used to develop effective marketing programs that anticipate future asset sales and dispositions. Using the First American CoreLogic Data Repository—and through it, all the company's leading data and analytics tools—a dynamic and transparent analysis and reporting system can be created to meet the needs of this historic program.

### **Property and Ownership Data**

First American CoreLogic maintains the most current, comprehensive, and complete property information databases in the U.S. Covering nearly 95% of all U.S. real estate transactions, it is recognized worldwide as the definitive U.S. property information resource. These repositories include:

- Deed information (buyer, seller, sale amount, sale date, legal encumbrances)
- Mortgage information (type, outstanding liens, lien positions, recording data, mortgage amounts and dates)
- Parcel information (APN, tax and assessment values, land area, legal description, property address, census tract and map links)
- Property information (square footage, building characteristics, bedrooms and baths)
- Fraud risk indicators (ownership changes, flips, default history on the property)
- Foreclosure and Pre-Foreclosure information (NODs, NTS's, and bank-ownership)
- Complete First and Subordinate Lien information (all liens added after loan issuance, loans with past-due payment histories, loans in high market-risk areas, borrowers at unusual risk, loans recently in default, ARMs and riders)
- Owner-occupancy status
- Tax Delinquency data

Basing loan and portfolio analyses on these proven databases will significantly improve the accuracy, transparency, and trustworthiness of due diligence, risk-management, and pricing decisions.

### **LoanPerformance Mortgage Data**

Utilizing the widest-possible array of contributing data sources, LoanPerformance provides clients worldwide with unrivaled insight into the performance of individual mortgages, mortgage portfolios, and the U.S. residential mortgage market. The industry's largest and most comprehensive, the LoanPerformance databases include:

- **Mortgage Securities Databases** with the largest repositories of loan-level, non-agency prime, jumbo, Alt-A, and subprime data in the industry, LoanPerformance collects new and updated information monthly from master servicers, trustees, and issuers—enabling clients to benchmark, evaluate, model, and track credit risk, collateral prepayment, and default incidence with continuous data from 1992 to the present, including:
  - Nearly \$2 trillion in non-agency MBS/ABS securities
  - Over 95% of outstanding pool balances
  - 94% of the subprime and Alt-A (ABS) markets
  - 98% of outstanding jumbo mortgage pools

- **Mortgage Servicing Databases** let clients monitor portfolio performance using the industry's largest, most trusted servicing databases, with more than \$7.1 trillion in contributed loan servicing data. These loan-level data represent 85% of all active U.S. mortgages, including 100% of Fannie Mae's and Freddie Mac's portfolios. The data arrives monthly from U.S. servicers, an arrangement allowing them to benchmark their holdings against national markets. The company maintains three servicing databases:
  - **Prime Database** with loan-level data on over 80% of the nation's active first mortgages, including all of Fannie Mae's and Freddie Mac's portfolios.
  - **Subprime Database** the only credit- and prepayment-performance data repository for the subprime mortgage market, with 3.5-million+ active subprime mortgages.
  - **HomeEquity Database** the nation's largest repository of loan-level, home equity servicing data, covering more than 8-million active closed-end home equity loans and HELOCs.

#### True LTV

To segment risk for portfolio management and asset-sales packaging, First American CoreLogic can determine the real-time current CLTV on individual loans and properties. Through our TrueLTV product, we search our LoanPerformance and First American CoreLogic databases and append all open liens, including mortgage purpose data (refinance or purchase), lender name, mortgage date, mortgage amount, loan type (FHA or VA), interest rate, rate type (fixed or adjustable), and mortgage term. We then compare the value yielded by this calculation to a separately-calculated market value without the appended data, assess any gap between them, and determine the CLTV segment. This valuation can be accurately calculated in both steady-state and distressed market environments.

### Home Price and Trends Analysis

Housing Price Indices (HPI) are a key, dynamic indicator of strategic value and risk, enabling asset managers and buyers to understand the influence of the market environment on current loan-to-value ratios of loans in disposition, reducing collateral-based uncertainty significantly. LoanPerformance HPI provides the most comprehensive and timely set of home price indices available in the market. Our monthly home price indices and median sales prices cover 7,649 ZIP codes, 958 Core Based Statistical Areas (CBSA) and 676 counties in all 50 states and the District of Columbia—and incorporate more than 30 years of repeat sales transactions. The complete indices are reported as early as four weeks after each month-end, with a subset of key data indicators through the most recent mid-month, available a week or two before that.

LoanPerformance HPI can provide a number of focused analyses, such as:

- Multi-tier market evaluations based on price, time between sales, property, and loan types (conforming, non-conforming)
- Real estate trends monitored by market, comparing results to historical trends
- At-risk markets identified when they first begin to unfold, with tracking continued each month
- Trend dynamics evaluations by tier, demographics, geography, with detail down to the ZIP code/neighborhood level

#### LoanPerformance HPI

Success in pricing distressed loans and RMBS securities will depend in part on identifying and assessing the collateral risk's market environment accurately and in detail. LoanPerformance HPI provides the industry's first look at current home price trends (only five weeks after month's end for complete HPI data, three weeks for some indices). LoanPerformance's National HPI is the industry's most sophisticated, covering 10 mortgage tiers with full history every month—and using national data only (not most national indices' aggregated local data). LoanPerformance ValueTrends and MarketTrends likewise offer the industry's most current and accurate house price trending data.

## Collateral Risk and Asset Valuation

First American CoreLogic collateral-risk tools and valuation models enable automated capture of current portfolio market values. This makes it possible to compare present values to values at any point in the portfolio's history—and produce a clear picture of its performance over time. Using our analytic tools together with collateral-risk scoring can enable the assessment of collateral risk of every loan in a security, predicting future performance given the latest market environment. Also, by pre-sorting loans into risk categories, you can tranche loans that might adversely affect future performance.

First American CoreLogic collateral risk analysis tools can quickly identify probable default and loss severity by combining property data assessment with mortgage risk analytics, including:

- Market foreclosure rates and momentum indicators
- Short- and medium-term price dynamics, using small market area house price index trends
- Property's chain of title evaluation can reveal indicators for fraud and misrepresentation
- Property valuation compared to market boundaries, geographic influencers

First American CoreLogic tools can identify a property's current and longer-term risk—then express that risk in an easy-to-understand scoring/alert system that includes broker, market, and borrower characteristics like income and identity. Our proprietary analytics are also used to identify fraud risk connected to deal participants, plus those due to broader market influences. Examining additional information resources, these analytics spot income misrepresentation, fraudulent claims of owner-occupancy, and undisclosed mortgage debt due to shotgunning, flipping, stacking, or fraud rings.

### LoanSafe 2.0

FACL's LoanSafe 2.0 is an evaluation tool that rates overall lending risk using unparalleled analytics backed by the nation's largest database of loan and homeownership information. LoanSafe 2.0 allows sellers and investors to evaluate risk beyond traditional credit models.

**Collateral-Risk Scoring** Our collateral risk scoring engine assigns a probability of default, with loss severity, to any property. Using micro-market analysis, this model accounts for factors including neighborhood value fluctuations, foreclosure and price momentum, property-level sales history and influence of title, property, and neighborhood flipping behaviors to determine future risk.

**Loan Origination/Broker Fraud Detection** FACL's loan-application database, includes more than 60% of all U.S. loan applications made since 2000. Each loan application is scored with our collateral risk and fraud detection scoring engines, allowing cross-industry modeling of the third party participants involved in a loan—notably brokers who originate loans with collateral risk scores higher than their markets.

**Borrower-based Scoring** FACL has pioneered the modeling of borrower risk, owner occupancy, identity theft detection, income validation, and borrower data validation by cross-referencing our proprietary property and loan application data with a borrower's property ownership history.

## Total Asset Verification and Post-Disposition Analysis

First American CoreLogic can monitor and report on the health of assets identified for disposition, while in holding (valuation, deed transfer, fraud protection, additional lien alerts). As the assets' positions are determined through portfolio vetting and segmentation, this monitoring can determine defects that must be disclosed at the time of resale. Post-disposition analyses can also be performed to determine what happens to REOs after disposal—to determine, for example, whether properties are selling for more soon after their disposition or that taxpayers are protected from exposure to bad disposition processes.

## Forecasting Future Default Risk

The **LoanPerformance RiskModel** can enable Program participants to combine, analyze, and evaluate the layers of risk associated with an asset by analyzing the loan-level characteristics at origination and testing the impact changes in HPI and interest rates will have on future cash flows. Whether stand-alone or integrated with other bond pricing platforms via an API, the LoanPerformance RiskModel provides a complete solution for managing both credit and duration risk at the loan level in order to predict future profits or loss. This analysis can be achieved via a robust set of output reports which enable the following:

- Forecasted monthly cash flows inclusive of prepayments, delinquencies, defaults and losses that can be fed into pricing and valuation tools
- API-integration to bond pricing platforms that maximize processing efficiencies (RiskModel Enterprise)
- "Mark to model" price assessments to estimate likely performance (hidden by "mark to market" assessments)
- Projections of the likely impact of home price declines, interest rate volatility on held and to-be-sold portfolios
- Portfolio expected-outcome distributions to help identify the best and worst case scenarios
- Current-value sustainability and default-and-loss probability assessments based on neighborhood-level analytics

## About First American CoreLogic

First American CoreLogic, a member of The First American Corporation (NYSE:FAF) family of companies, is the largest provider in the U.S. of real estate, property, ownership, fraud, mortgage, and mortgage securities data—and the advanced analytics that use them—for the assessment of real estate sales, collateral valuation, home price trends, mortgage originations, mortgage- and asset-based securities pricing, foreclosures, delinquencies, and asset dispositions. Our market-specific data covers 98% of all U.S. ZIP codes and 3,059 counties in all 50 states and the District of Columbia, representing 99% of the US population, 97% of all properties (140 million), more than 50-million active mortgages, and \$1.8 trillion in loan-level, non-agency mortgage securities. First American CoreLogic's products and services enable customers to manage credit and mortgage risk, protect against fraud, acquire and retain customers, mitigate loss, decrease mortgage-transaction cycle times, value properties accurately, determine real estate trends, and project future market performance.

For more information about First American CoreLogic, please visit [www.facorelogic.com](http://www.facorelogic.com) or call 415-536-3526.