

Mortgage Scores

Harnessing the power of predictive analytics

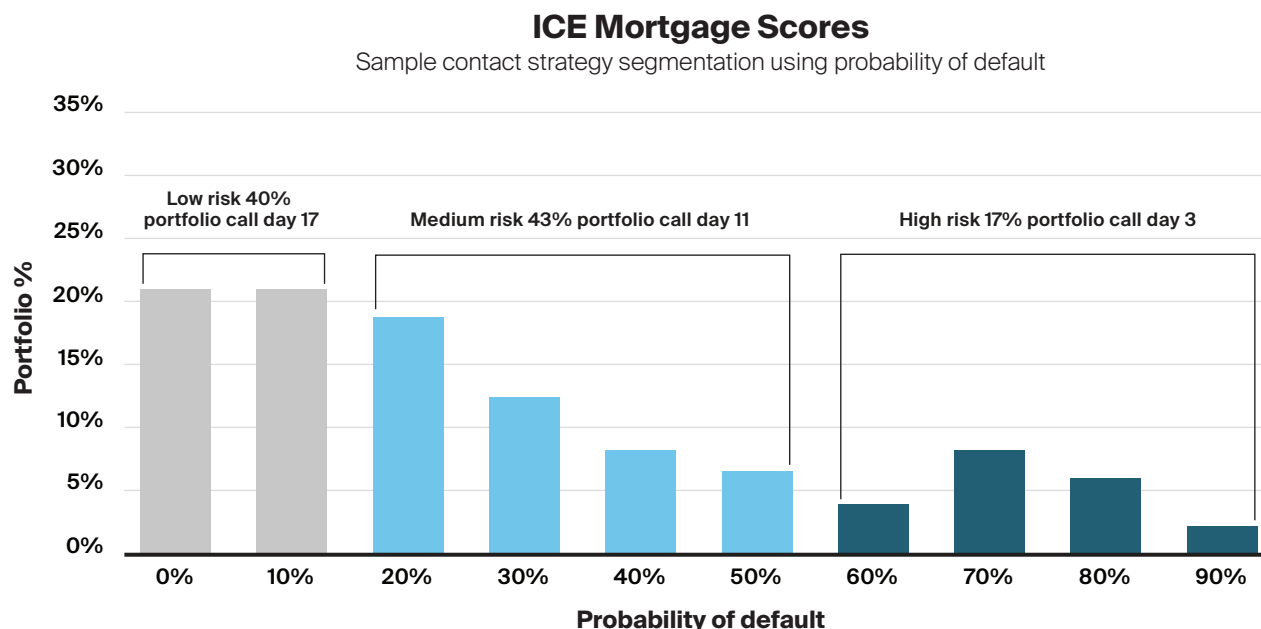
ICE has earned a strong reputation by supplying mortgage analytics to capital markets participants. The predictive intelligence provided by ICE is used daily in billions of dollars worth of mortgage trades.

Now, Mortgage Scores makes this predictive power available to mortgage servicers, lenders and risk managers.

Mortgage Scores are loan-level metrics for identifying, prioritizing and predicting risk of default and loss over a spectrum of time horizons. Based on borrower behavior patterns relative to economic conditions, Mortgage Scores measures the risk, borrower equity and value of each loan. Mortgage Scores are updated monthly to reflect changes in loan characteristics and market conditions. Integration with a wide variety of applications, including our Mortgage Servicing Package (MSP) and Proactive Risk Management (PRM), is easy, and Mortgage Scores can also be used to generate stand-alone actionable intelligence.

Applying Mortgage Scores to collections and loss mitigation

Servicers can use Mortgage Scores to develop campaign strategies around collections and loss mitigation. First, identify at-risk loans with the probability-of-default metric. Then, segment the highest potential loss loans using the loss severity metric, further refining the collection or loss mitigation strategy. Once the portfolio has been evaluated and high-risk loans have been prioritized, servicers can develop collection and mitigation strategies with the most appropriate contact methods for each segment.



The chart above shows a portfolio segmented into low, medium and high risk categories and a recommended call strategy for each segment. As indicated in yellow, 17% of loans are high risk and, in this example, will receive a call the third day after a payment is due. The percentages across the bottom axis indicate the probability-of-default. The circled portion indicates that a little less than 10% of the portfolio has a probability-of-default of 70%.

Mortgage Scores applications for lenders and risk managers

Lenders and risk managers can quickly reflect current market conditions by using Mortgage Scores to supplement internally developed reports and analytics. Many standard analytical approaches were not built to keep up with today's fast moving environment. The behavioral models underlying Mortgage Scores can capture the impact of loan modifications, recidivism, extended foreclosure time frames, ZIP code level house price projections, presence of second liens and the impact of government programs on borrower and servicer behavior. Lenders and risk managers who are required to do more with less should consider Mortgage Scores to help with the following applications:

- Improve accuracy of income and expense forecasts with projections of portfolio delinquency transitions
- Track portfolio quality, risk and value trends over time
- Support the loan loss reserving process
- Provide inputs to capital calculations and allocation
- Estimate borrower equity and current loan-to-value
- Allocate and optimize staff based on projected rates and volumes of delinquency, default and loss
- Evaluate quality of new originations by channel, branch or loan officer
- Improve retention rates and reduce costs with targeted marketing strategies based on probability-of-prepayment

Inputs and delivery

To receive Mortgage Scores, the client needs to provide mortgage data that is typically available in servicing databases, including current coupon, original FICO, geography and other loan-level data.

This step is eliminated for MSP clients. With client permission, we create an extract with all the data fields needed to calculate Mortgage Scores. Then, the probability-of-default and loss severity metrics are updated on the loan-level screens within MSP, keeping all the information in one location for easy review and application.

Enhancing Mortgage Scores with our consultants

Our consultants can help you gain additional value from Mortgage Scores by providing new tactics for exploiting this intelligence and improving business processes and strategies, including portfolio segmentation and portfolio performance reporting.

Mortgage Scores – loan-level metrics for identifying, prioritizing and predicting risk of default and loss.

By applying Mortgage Scores, servicers are able to:

- Optimize staffing and resources
- Minimize losses and foreclosures
- Meet investor guidelines for borrower outreach
- Reduce collection expenses
- Preserve customer satisfaction

The predictive power behind Mortgage Scores

ICE uses proprietary borrower behavioral models, combined with multiple projected paths of interest rates and housing prices to project probabilities of prepayment, delinquency, default and loss severity for MBS, CMOs and mortgage loan portfolios of all collateral types. The analytics are constantly refined and tested by a team of top-rank modelers to ensure they reflect current market characteristics. Our analytic models are a proven success among capital market participants and fuel the accuracy of Mortgage Scores.



For more information: icemortgagetechnology.com

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