



Distressed Asset Technology and Loan Treatments

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The First American Corporation

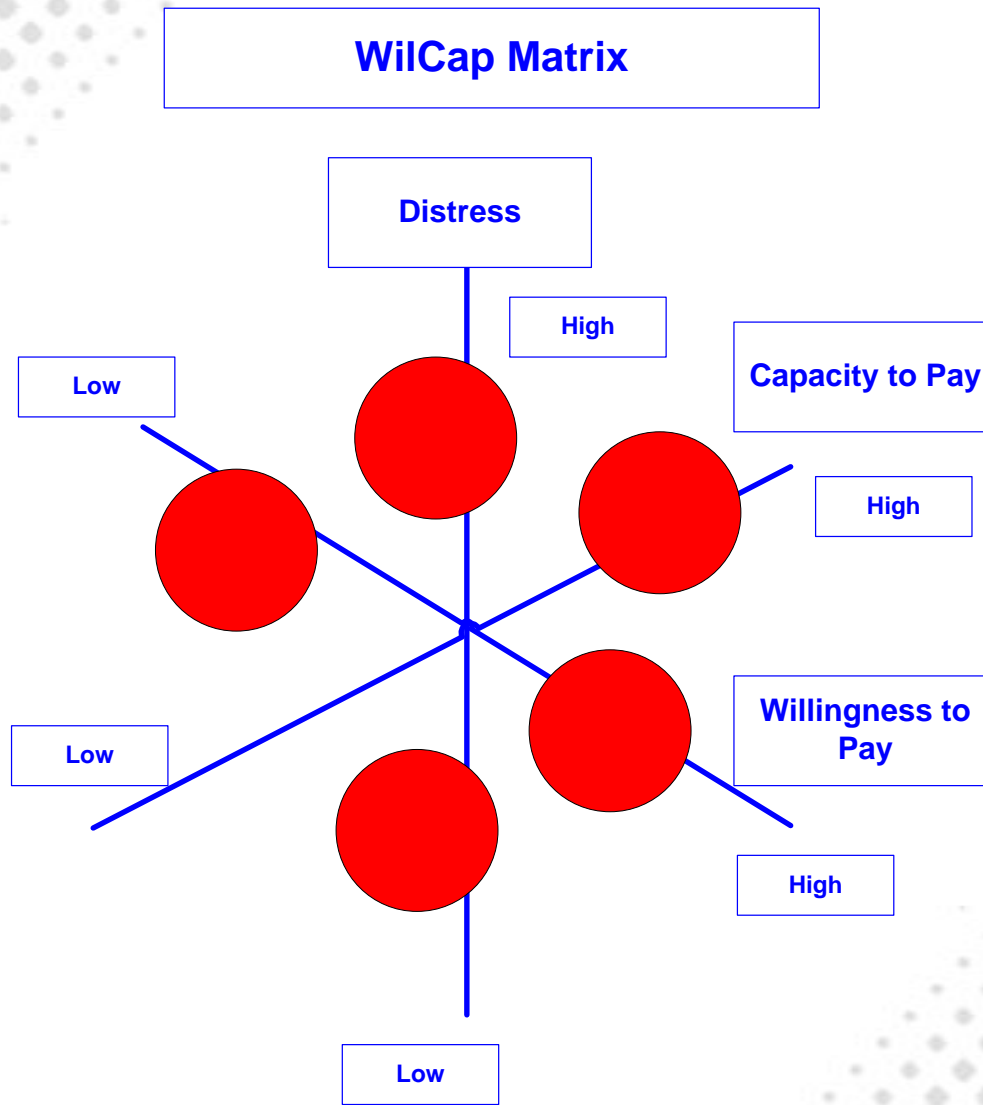
What we have learned!

New classification methodology that will classify millions problem loans into 20 – 30 classes of problems

- **Enhance, not predict asset performance**
 - Improve distressed asset performance by optimizing whole loan treatment; that is matching treatment with the type of borrower, property and real estate market.
- **Borrower-Centric modeling methods**
 - A “beyond-the-nine-dots” approach to modeling. Focuses on modeling the borrower (not just the loan).
- **Efficient frontier**
 - A set of fully optimized borrower (loan) treatments that direct the owner regarding which treatments he/she should apply to meet his/her risk and return goals



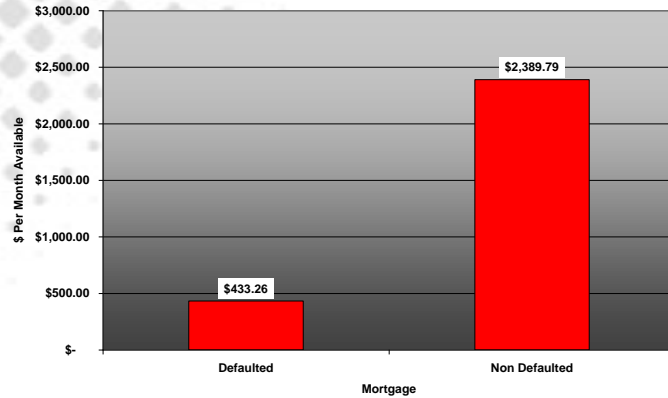
Use Metrics to Segment Borrower Space



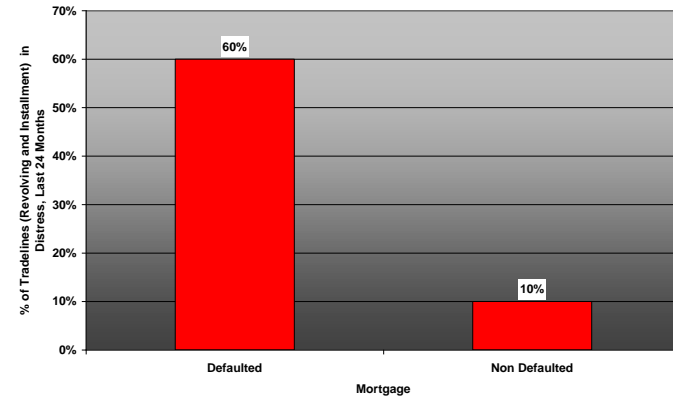
WillCap Matrix – A Robust Discriminating Tool

The Profile of a Defaulted Borrower

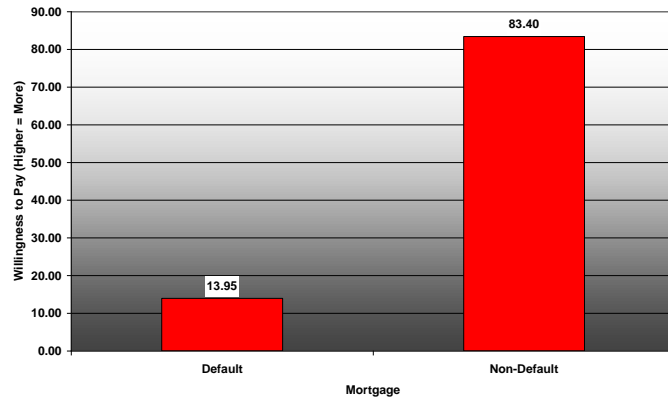
Capacity to Service Debt



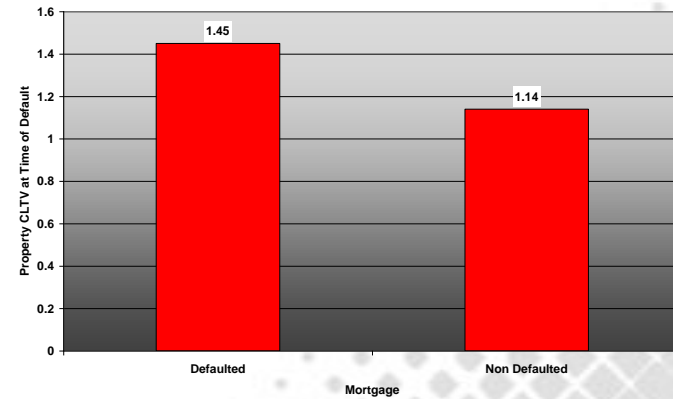
Debt Servicing Distress Per Borrower



Willingness to Pay

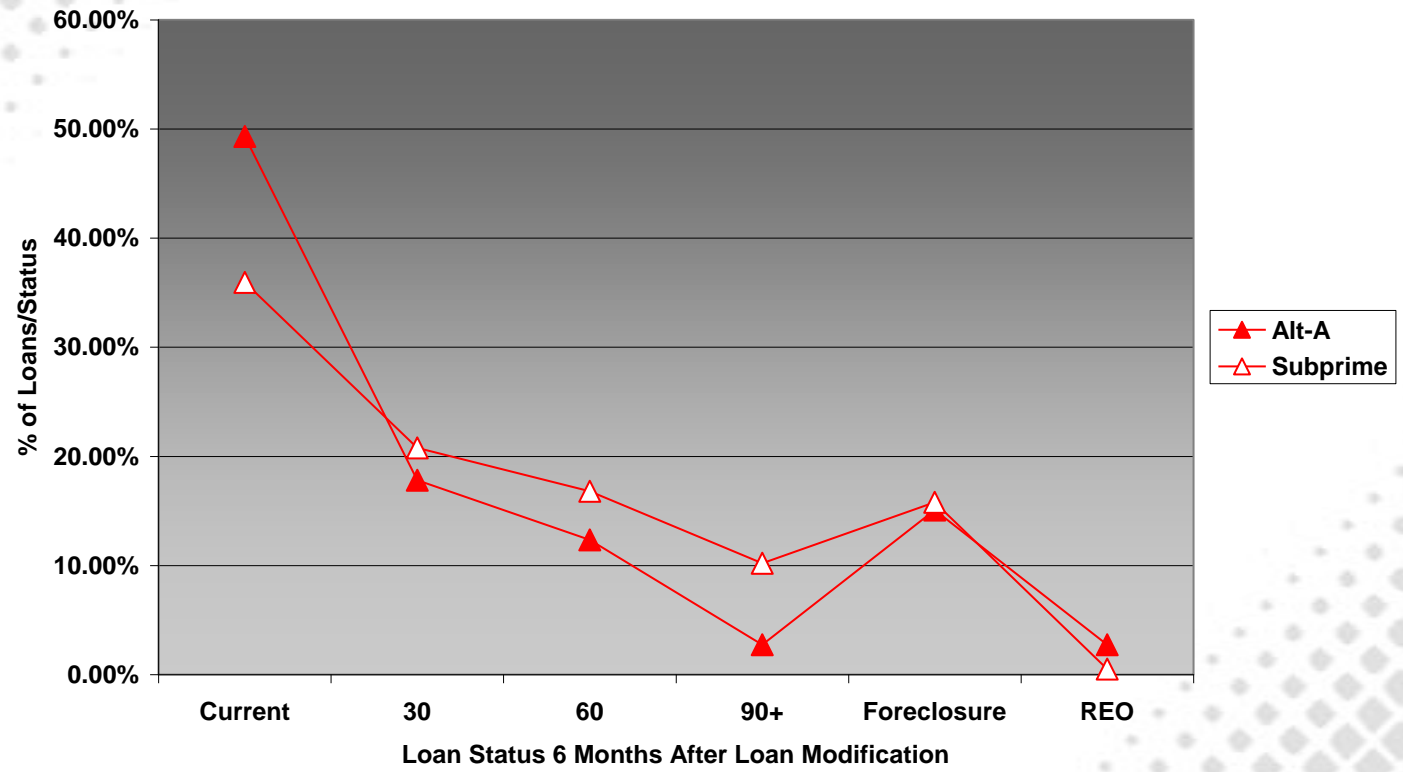


Combined Loan to Value (CLTV)



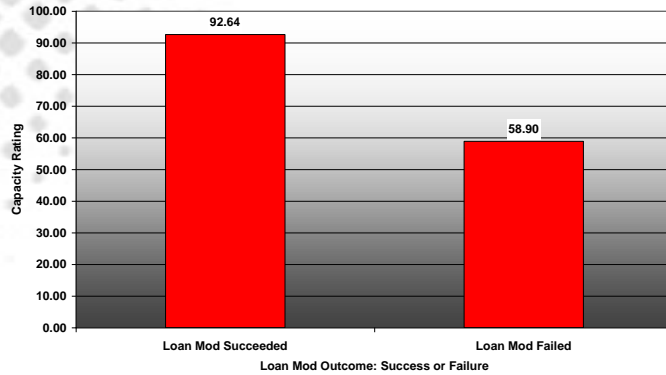
Loan Mod Performance - Very Few Succeed; Over 65% Fail

Analysis of Loan Performance Six Months After Loan Modification

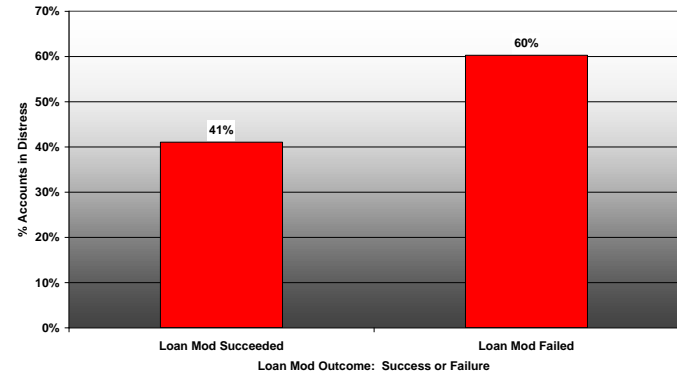


Profile of a Successful v Unsuccessful Loan Modification

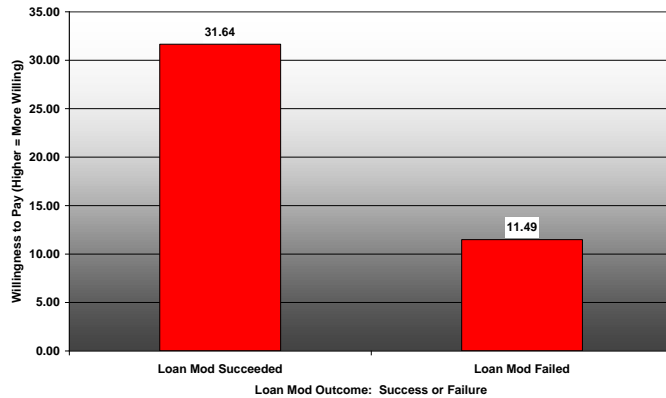
Capacity Rating Loan Modification Outcomes Higher = More Capacity to Service Debt



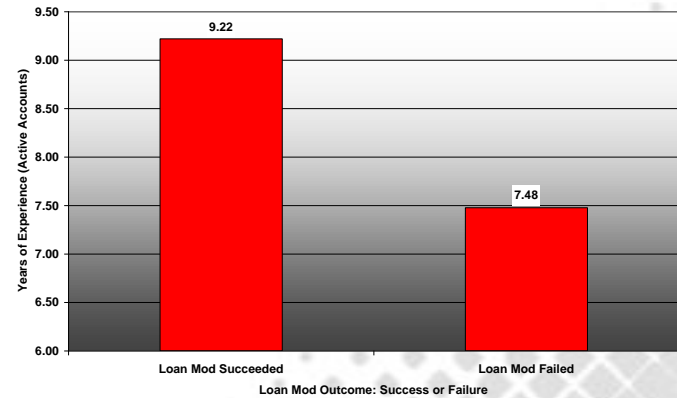
Distress Rating Loan Modification Outcomes % Accts 60+ Last 24 Months



Willingness to Pay



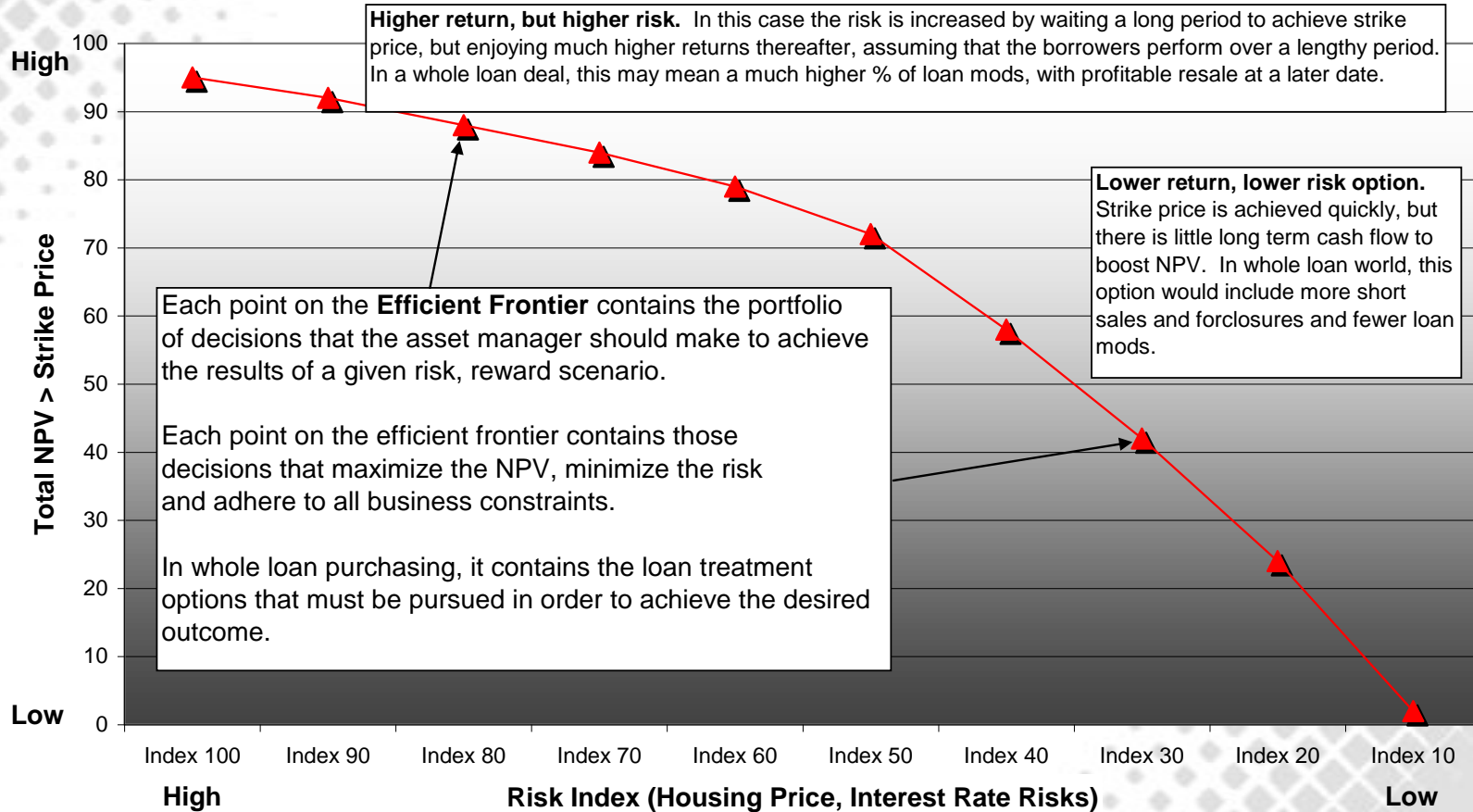
Debt Servicing Experience



Leading Edge Optimization Technology

Efficient Frontier

These are the treatments you **SHOULD** perform, given your risk, reward tolerance



Optimized Treatments Dramatically Outperform

Preliminary NPV Analysis of Treatment Strategies as % of Face Value

