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# MORTGAGE TECHNOLOGY



## Banishing RISK

Equifax Adds Mitigation Strength

From left to right:  
Jay Meadows,  
Tom Madison and  
Janet Ford.

Equifax moves beyond just credit reporting to help lenders handle all areas of risk mitigation.

# Crafting A Broader Strategy

Equifax has been on an acquisition spree, most recently acquiring income and identity verification vendor Rapid Reporting and IXI Corp., a company that collects, analyzes and delivers consumer wealth and asset data. These M&As are part of Equifax's play to be a one stop shop to satisfy all of a mortgage lender's risk mitigation needs. (left to right) Jay Meadows, president of Rapid Reporting, a service of Equifax; Tom Madison, senior vice president and general manager, mortgage services of Equifax Inc.; and Janet Ford, senior vice president of The Work Number, a service of Equifax, talked to our editor Tony Garritano specifically about how lenders can be more risk averse using technology.



# Q

**MORTGAGE TECHNOLOGY:** *Equifax touts that with a number of new acquisitions, it now offers clients a 360-degree view of the consumer. What does that mean exactly?*

**TOM MADISON:** Let me just sort of explain what it is Equifax is attempting to do. The industry has known us for over 100 years as a credit repository, which means that we've got this massive, 250-million consumer database of liabilities and debt. Equifax has realized that the credit side of the consumer risk profile has a blind spot.

In fact, it has a couple of blind spots, and what Equifax has decided to do in light of recognizing that is distance ourselves from our competitors, take advantage of that realization and try and move to a place where we believe we will really stand out and be extremely unique in the risk measurement arena.

We have identified three key elements to measuring a consumer's risk profile, and those are: credit (the liability and debt that is carried by the consumer), the capacity (the income and employment that the consumer enjoys) and then the collateral category (the equity, the wealth assets that the consumer has to cover their ability to pay).

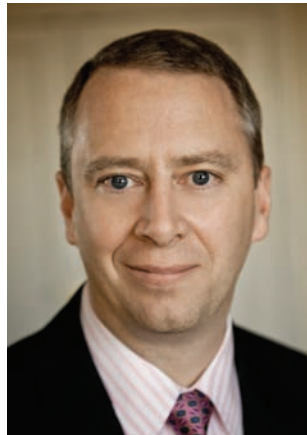
Why are we doing that? The reason is simply because we think that the future of the financial services industry is dependent upon our ability and the industry's ability to comprehensively measure customer risk, and to do it not just comprehensively, but frankly, to do it very rapidly and very efficiently as well. We can't put ourselves in a place where we know we need to measure risk very well, but it takes us forever to do it. We have to be able to do it extremely well and we have to be able to do it extremely fast. Equifax has decided our mission is to go out and acquire and integrate assets and capabilities.

And not just any assets, but the best assets and the best capabilities in the industry, such that we can provide back that comprehensive financial risk and profile of any consumer, or frankly, any household, any region of the country, or even any small business.

On the credit side or the liability side of the equation, everybody knows we have a 110-year reporting legacy of consumer liabilities. A lot of folks don't realize that we also have 2 billion telecommunication and utility payment records for 110 million consumers. That's in a database that we call NCTD (National Consumer Telecommunications Database). That is a future answer for the "No File/Thin File" consumer, and its liabilities and debt-positive or negative information about telecommunications payments or similar payments. That's the credit side of the equation.

On the capacity side of the equation, now we've got over 190 million records in The Work Number database supplied by over 200,000 employers. We've got the only real-time database of its kind for that sort of employment and income data. Then with Jay Meadows' business, Rapid Reporting, which we've just acquired, we added the nation's largest 4506-T fulfillment house.

Finally, on the collateral side, we now have acquired IXI Corp., which isn't here today as part of this discussion, but I know you're familiar with IXI and the acquisition of that enterprise. That's the nation's only wealth and asset data repository, where



## SPOTLIGHT ON TOM MADISON

Tom Madison is the SVP and general manager of Equifax Mortgage Services. His vision for the mortgage business is to provide tightly integrated solution sets. Madison's mortgage leadership experience started with HomeBanc Mortgage Corp. in Atlanta, where he managed one of the firm's subsidiary origination shops. He has led both subprime and prime mortgage entities.

we have about 50% of the nation's investable assets and we get that data from about 100 contributing asset management companies, including the top 20, who are all participating in that consortium.

When you put that all together with what we do in title, on property data and title data for 75 million of the nation's homes, and a new AVM that we just launched, which we call PVE, that actually uses live MLS data as its source, you get a larger collateral picture.

I just can't overemphasize how neat it is and how excited we are about pulling together under this one Equifax umbrella all the aspects of a consumer's credit situation.

## MORTGAGE TECHNOLOGY:

*The future of the financial services industry depends on comprehensive, but efficient assessment of customer risk.*

*What is Equifax's role in providing that service to the market?*

**TOM MADISON:** I believe that historically the mortgage industry, but also the financial services industry in general, has depended upon how the credit leg of the stool, or the credit side of the equation—liabilities and debt on the income statement, that side of the income statement—really is the primary driver of assessing risk and in some cases, the only driver.

I think what we've recognized very clearly is that when it comes to assessing real consumer risk the risk that a consumer presents when he or she takes a loan from an enterprise, it is not fully represented by the credit side of the equation. It takes the

capacity side of the equation, and it takes the collateral side of the equation—the collateral leg of the stool, to make that risk profile complete.

Why is Equifax uniquely positioned to take advantage of that? Frankly, a lot of that has to do with the fact that we have mastered the credit side of this equation for 110 years, we have arguably the best representation of that, and we can turn all of our energy toward putting together exactly the same type of formidable assets and capabilities in the other two arenas—capacity and collateral.

We can take the cash that our enterprise generates, the manpower and mind power that our enterprise generates to bring under our umbrella only the best data sources and only the best services capabilities in the arenas of capacity and collateral. That's why we have Janet and the TALX organization, Jay and the Rapid Reporting organization looking into the capacity side of the equation since we knew that they were the best at what they did and we were in a very fortunate position to be able to go after the best.

We are doing the same thing on the collateral side by acquiring a company like IXI, who is extremely unique, and bringing them under the Equifax umbrella as well.

I just don't think there is another enterprise out there that is dedicated to the mortgage business. For the most part, Trans-Union and Experian, our big competitors, decided to opt out of the mortgage business, at least directly.

**JANET FORD:** The only thing that I would add specific to mortgage is that, as we look at the tools that are available with The Work Number and then what is available with the acquisition of Rapid Reporting, you really do have a comprehensive view of current employment, current income, historical income and identity.

Those tools are important in every phase of that mortgage process—at time of application, time of underwriting, close, audit,

servicing, even into default management.

Our tools and services are helping mortgage clients today in dealing with some of the government programs like HAMP and HARP.

We really are able to add value to every part of that mortgage process. In terms of why we do it, we are all about trying to automate everything that we can, and integrating every place that we can. There's not a specific decision or action that anyone has to take to incorporate this data, it truly is part of the workflow and decisioning.

**JAY MEADOWS:** I don't want to take anything away from the mortgage professionals that are out there because these guys are talented and they know how to collect loans when given that opportunity. Unfortunately, I think for the last few years, and because of the speed at which mortgages are done today, it's kind of like a mortgage professional having to do verifications on his own is kind of like Nolan Ryan making baseballs. You can't do it.

You're getting the mortgage professionals back to doing what he does best and that is make loans, and make quality loans. What we do is we take the "ifs" out of it. I know that's kind of grassroots, but I think in essence, with all the great bells and whistles that we have, in the end, it's about making great loans and taking the bad guys out of it.

**MORTGAGE TECHNOLOGY:** *You talked about the recent acquisitions of IXI Corp. and Rapid Reporting. What's next?*

**TOM MADISON:** It's impossible for us to get into specifics on that sort of



## SPOTLIGHT ON JAY MEADOWS

Jay Meadows is president of Rapid Reporting, a service of Equifax. Meadows founded the company in 1998 with Ray Petta and sold it to Equifax. Rapid Reporting's mission is to combat fraud. To this end, working with the IRS, Meadows helped to shorten the turnaround time on tax transcripts for income verification purposes, enabling lenders to complete income verification pre-funding.

activity, but here's what I can say: the corporate development engine (or the M&A engine depending on the terminology you are used to) is alive and well at Equifax today. I'm involved with it almost on a daily basis and it is churning out ideas and investigations and due diligence pursuits at exactly the same pace now as it was when we acquired Rapid Reporting, and when we acquired the TALX organization. IXI is the most recent example of that, just acquired really less than 60 days ago, out of Washington D.C. I can tell you without giving up too much information that there are a couple of others that are very close to final decision.

If you look at the capacity side, the credit side and the collateral side of the lending equation, you can guess that

any M&A activity that we do is going to fall in one of those three arenas.

**MORTGAGE TECHNOLOGY:** *In terms of mortgage recovery, how do you see Equifax's role in bringing about industry recovery?*

**JAY MEADOWS:** Back in 2007 during the darkest day of the implosion, we had two jobs to do. First of all, we had to stop making bad loans. We absolutely had to stop making foolish choices, and lending money without due course and due diligence. The second thing we had to do was clean up what we were faced with and frankly, capitalism certainly has a way of cleaning up its mistakes.

I think we've seen a new commitment,



### SPOTLIGHT ON JANET FORD

**J**anet Ford is SVP of The Work Number, a service of Equifax. She oversees several aspects of this service line including strategy, operations, revenue and client relationships. Ford also supplies product direction for employment and income solutions. She joined the firm in 1998 as a regional sales rep. In 2004, Ford took on client relations and revenue generation for The Work Number.



certainly an expanded commitment to doing good loans. I think that's evidenced, if nothing else, in the identity and income verifications we're running. Just the sheer numbers and percentage of loans being checked has increased so much that we are absolutely, I think, going to have a good chance at recovery. I am real excited about the future of mortgage. It's the backbone of our country and I hope that we can expand on it.

**JANET FORD:** That's right on target. We are seeing specific requirements related to the pulling of the 4506-T for example.

The second part of that issue, the capacity side including the ability to pay, you've got to make sure you are looking at current employment and current income data.

In early March 2010, the most recent income picture I can get from a 4506-T is somebody's earnings from 2008. Those are absolutely relevant and that's important

data to have in terms of assessing risk.

However, if you can also couple with that, what they are making today in 2010 and what they made in 2009, you've got a better picture.

As we look at what direction we want to see the mortgage industry take, I think it's about more data around decisioning and mitigating risk.

**MORTGAGE TECHNOLOGY:** *Generally speaking, what can we expect from Equifax throughout the rest of 2010?*

**JAY MEADOWS:** Instant verification is a big deal for us. If you are not getting a hit on instant verification and pushing that into a research verification, taking that to a third party, that's certainly something that I feel strongly about. If you are not using that, I think it's still kind of a hole in the boat. That will be something that I'll certainly be talking about.

**TOM MADISON:** I think you're going to

hear from us a lot, especially in the coming months and the coming year about a technology that we call Mortgage Connect, which is essentially our ability to deliver, in an integrated fashion, all of these different asset categories that we've just talked about.

Essentially, it's our ability to take our credit data, our capacity data and our collateral data and deliver it to our customers on one platform in one way that simplifies for them the ability to get that financial risk profile for a consumer.

We believe that if we can provide that kind of a service to our customers, getting all of those different pieces of the risk equation in a one stop shop, that we, quite frankly will be unparalleled in the industry and can really help this business get back on its feet. You'll hear about that more in the coming months and the coming year for certain.

**JANET FORD:** Mortgage Connect is a big deal for us. Obviously, whenever a client can integrate with us and we can deliver multiple solutions through that single integration, meet multiple needs through that single integration, from a technology perspective that provides clear improvements and efficiencies.

This approach mitigates risk, and it enhances their security position. There's a lot of value for our clients to be in that type of environment. **MT**

