CREDIT LENDERS℠
SERVICE AGENCY, INC.

9000 Commerce Parkway
Suite A
Mt. Laurel, New Jersey 08054

Appraisal Alternatives: What's What and Why
By Allan E. Bredice
The New Jersey Mortgage Press, February 2002

The volume generated by the current refinance boom, combined with escalating consumer expectations, has put enormous pressure on mortgage professionals to improve upon the appraisal process. Since new products are always arriving on the scene, how does a lender judge which of these alternatives is appropriate for a particular loan? Here are a few of the most popular options:

HOME EQUITY LIMITED APPRAISAL PRODUCTS
In this case, the lender is writing a home equity loan and looking to secure it by ensuring that there is enough equity in the property valuation information in order to meet professional guidelines. A limited amount of the evaluator's findings are then reported to the lender and, therefore, remain classified as limited appraisals. The available products include:

- Automated Valuation Models - (AVMs) - These are the quickest and least expensive appraisals to complete, because they do not involve a physical inspection of property and are based upon a model generated by a database of recent sales. Lenders typically use AVMs for loans with lower loan-to-value rations or lower loan amounts in markets where there has been an abundance of recent sales.
- BPOs - These are performed by active real estate brokers who are knowledgeable about property values within a defined geographical area, and they are usually based upon a drive-by inspection of the subject property, and include limited data on both the subject and comparable sales. The broker then analyzes the three comparable sales, but does not show the actual adjustments for the differences from the property. The value is typically derived from conclusions that are not reported to the lender, but are available within the broker's work file. They are often less expensive and performed quicker than conventional appraisals.
- Limited Appraisal Reports - Many appraisal firms have developed their own Uniform Standard of Professional Appraisal Practice (USPAP) compliant forms for determining property values for home equity lenders. They are a streamlined, cost-effective way of providing the lender with the necessary data to underwrite and close their home equity loans cheaper and faster.

REFINANCE AND HOME SALE LIMITED APPRAISAL PRODUCTS
Fannie Mae has created the Desktop Underwriter Model (DU) in order to streamline the appraisal process. Based upon an applicant's credit, and other financial factors, the model suggests certain loan programs, including necessary property valuation. DU utilizes a variety of appraisal products, including the 2055 Form - also referred to as a quantitative analysis. This can be based upon either an exterior or interior inspection of the subject property, and contains more detail than the aforementioned products' reports. The 2055 provides a grid for the appraiser to indicate dollar amount adjustments for the specific feature differences between the comparable sales and the property. The appraiser then derives a value estimate from the final adjusted sales prices of the comparable sales, which must include photographs and a location map.

COMPLETE SUMMARY APPRAISALS
These products can be used for any type of loan, but most likely for first mortgages, large LTV situations and high-risk applicants. Lenders serving smaller communities are still most comfortable with these products, as are many other mortgage companies. They include a full interior inspection of the property, a drive-by inspection of all comparable sales, a location map and an interior property layout. There is often a supplemental addendum detailing additional property characteristics and other required statements that ensure USPAP and underwriting compliance. Their grids, which are the most detailed, ask for several characteristics of the comparable sales that are then compared to the property before the final dollar adjustments are made.

The alternatives to the standard appear to be changing daily, and they are all aiming to save both the lender and the consumer time and money. In the end, lenders will need to balance these two factors with the amount of risk they are willing to take.

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Celebrating Our 20th Anniversary

Today's Information, Using Tomorrow's Technology

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Credit Lenders Service Agency, Inc. and Factual Data have agreed to provide their clients with a trade line or verification within four hours GUARANTEED, or it's free of charge.

Credit Lenders Service Agency, Inc. and Factual Data have always had the reputation for being technological leaders. In response to changing underwriting requirements and the industry's quest for speed, we saw the need for a new credit product. The industry today insists on a different type of report, one that combines the speed of the merged infile report with the independent customer verification services of the RMCR at a lower cost. However, lenders not only want lower costs, they want predictable costs for good faith estimates at the point of loan origination. Reduced turnaround and less time spent on the telephone obtaining updates and verifications are also important to your lending operation. The BX Plus satisfies these needs and more! BX Plus is available to our on-line lenders through factualdata.com. BX Plus also returns electronic files in the industry standard XML format (X.12 is also supported), so the results are easily imported into mortgage processing systems for 1003 population and reduction of data entry. Reports can be viewed on-screen and printed by the loan officer or loan processor at any time.

Credit Lenders and Factual Data stand ready, today to help lenders take advantage of the reduced time service and lower cost in receiving this credit product which is approved for submission with your mortgage loan package and meets the underwriting guidelines established by Freddie Mac, Fannie Mae, VA and FHA. We are customer driven and constantly are striving to exceed your needs and expectations. Satisfaction – GUARANTEED!

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Welcome to Credit Lenders Service Agency, Inc.'s first edition of our quarterly newsletter. The objective of our newsletter is to bring you industry- related news articles, highlight our employees' achievements and discuss new products.

Celebrating our 20th year in business, Credit Lenders Service Agency, Inc. is pleased to announce the relocation of our Corporate Office to 9000 Commerce Parkway, Suite A, Mt. Laurel, NJ, 08054, and the introduction of our new logo. The new logo is designed to compliment and strengthen the brand's positioning, and echo the company's messages of reliability, trustworthiness and stability.

At Credit Lenders, our continuing commitment is to deliver on-time, error-free, competitive products and services that not only meet or exceed our clients' needs, but also their expectations. Our premier edition of the newsletter demonstrates this commitment as we feature our CEO and President, Tom Swider, and our Executive Vice President, Ted Hinderer. Also included is the introduction of our newest products, the Bureau Express and Bureau Express Plus, as well as our four hour guarantee of product delivery. In addition, this newsletter will educate you as to the importance of conducting background investigations on individuals being considered for employment. And finally, we have included some thoughts on what you can expect by year's end.

Your input is essential. Please email your feedback to us at sales@creditlenders.com. You can also visit our website at www.creditlenders.com.

Corinne Vincent
Marketing

STEVE WISE MAKES PRESENTATION IN FT. LAUDERDALE, FL.

Mt. Laurel, NJ ---Credit Lenders Service Agency, Inc. participated in the "National Ice Cream Mix Association Conference" in Ft. Lauderdale, Fl., at the Lago Mar Beach & Resort this past January. Steve Wise, Credit Lenders' National Sales Manager, made a formal presentation regarding employment screening in today's environment. "It has never been more important for us, as businesses, to do as much as possible to ensure the safety of our workplace, especially since the terrorist attacks of September 11th. We must do our best to make sure that the people we employ are who they claim to be." Steve Wise said.

EMPLOYEE SPOTLIGHTS

Sylvannia Smith-Roy was promoted to Account Executive of EmpFACTS, division of Credit Lenders Service Agency, Inc. Her previous position was Senior Processor and she is celebrating her seventh year with Credit Lenders. We are all very excited and know she will do well in her new position.

Kathy Marlowe, celebrating 16 years of service, was promoted to Vice President of Credit Lenders Title Agency, Inc. Kathy started with Credit Lenders while still in high school as a record owner search typist. She worked in several departments before transferring to Title. She's a valuable asset to Credit Lenders and the promotion is well deserved.

ON A PERSONAL NOTE

Ted Hinderer is currently President of Credit Lenders Title Agency, Inc. as well as Executive Vice President of Credit Lenders Service Agency, Inc. He has over 35 years in the banking, courthouse, credit-reporting and title insurance industries. Ted often speaks at mortgage banker seminars as well as various first time homebuyer seminars throughout the State of New Jersey. When Ted is not drumming up business, he is usually on the golf course. Ted has four children and three grandchildren. Ted lives with his wife Kathe in Marlton, NJ.

Tom Swider is the CEO and President of Credit Lenders Service Agency, Inc. He has 30 years in the consumer reporting industry and was an integral part of building the automated credit files in NJ, PA and DE for two of the three national credit repositories. Tom has served in the U.S. Army, and received numerous military awards including "Distinguished Flying Cross with Valor". He is a Wharton Alumni. He is an avid fisherman and loves to spend time on his boat. Tom has two grown children, and is the grandfather of yet another "Tom Swider". Tom lives in Cape May, NJ, with his wife, Susan.

Proper Screening Of Candidates

By Philip S. Deming
SBN Philadelphia, October 2000

Companies too often overlook the significance of interviewing candidates for employment. Most employers are content to have a "warm body" in the plant or office. Particularly in a tight labor market, employers tend to sell the applicant on the job rather than taking the time to analyze whether the candidate would be a good employee. It's important for a company to train its managers in effective interviewing techniques to help avoid bad hires and possible legal action.

The emphasis should be on identifying key and critical indicators about the candidate such as:

- Integrity
- Trustworthiness
- Ability to understand the company's business
- Adaptability and flexibility in working with others' ideas and changes
- Willingness to work in the company's environment
- Skills necessary to perform desired tasks

The next part of applicant screening is the background investigation. If the company intends to procure "investigative consumer reports" from a third party, the company must comply with the Federal Fair Credit Reporting Act. Besides the legal requirement, the company should have established reasonable criteria for this background investigation.

Investing time and expertise in the hiring process can make a difference in mitigating the risk of a "bad employee." It's better to do a thorough job of managing the beginning of the employment relationship than using precious time and resources later trying to manage a bad hire who can contaminate the workplace with hostile words and behavior.

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

WHAT WILL 2002 BRING?

By Lee Howlett
The New Jersey Mortgage Press - January 2002

The optimism of the American people is simply amazing. Even following the atrocities of Sept. 11, we continue to live our lives with a fervor for the future that America promises. In the spirit of remaining strong and not letting the evil in this world hold us back, the mortgage industry has continued its tradition of looking ahead to a brighter tomorrow.
Falling interest rates, Internet aggregates and the threat of terrorism will be three things that may impact the industry in 2002. Here is how you can expect these trends to play out:

DOING MORE ELECTRONICALLY

Since the anthrax scares began, people have been reluctant to handle any type of mail or papers. As a result, there should be an increase in the use of electronic transmission of data. Electronic signatures may even reappear, whereas up until now, lenders did not see e-signatures as a viable solution to closing loans via the Internet. You can also expect a slowdown in package and mail delivery caused by heightened security, sparking a renewed interest in electronic receipts. In addition, this will probably cause an increased use of services like electronic bill paying, because they are more reliable in getting payments in on time.

INCREASED INTERNET ACTIVITY

Expect lenders to discard their skepticism and finally accept the Internet as a credible source of loan origination. Lending aggregates will continue to do well, because more serious customers are beginning to use them to get the best rates. In the past, those who utilized them were largely tire kickers that just want to browse, not borrow. However, research shows that those who applied online last year had higher creditworthiness, loan amounts and income levels than the general population. Many lenders should wake up to the fact that the Internet can deliver a more solid prospective borrower than their traditional sources.

INCREASES IN REGULATORY COMPLIANCE

We might as well dub this year "Compliance 2002," because it promises to be laden with regulatory issues, the sources of which will be varied. Lenders will likely continue to refine their privacy practices, as demanded by regulators. In addition, the United States Treasury Department has circulated a list of approximately 4,000 individuals whose assets must be frozen after Sept. 11. Lenders have to run all of their loans against all these names and aliases and will face a $500,000 fine if they lend to someone on the list. Stop and think for a moment about the challenge of identifying these people without discrimination and what will that do to slow down the loan processing cycle. Another issue is the renewed focus on revising the Real Estate Settlement and Procedures Act. No one can predict its potential impact on lenders, but it will probably cause most institutions to take a long hard look at their procedures and disclosures.

LINES OF CREDIT AND EQUITY PRODUCTS

Lenders have really bumped up the loan limits on second mortgages, therefore, many borrowers will be turning to equity products rather than traditional mortgages. We can expect to see a number of second mortgages being refinanced next year, especially since lenders are offering equity products with no application fees or closing costs.

DEBT CONSOLIDATION

A slowdown in the economy usually leads to interest in debt consolidation. Consumers will most likely use an increasing number of home equity loans or refis.

A CHANGE IN THE MIND OF THE LENDER

For a while, the dot-com, or whiz-bang, bomb companies, were getting a serious leg up in the market, but their days appear to be numbered. Bigger was better and nationwide coverage was the best. Banks will now be returning to companies with proven track records. They will prefer nationwide, one-stop shopping for their loan processing needs, but will need to give preference to vendors that can deliver a high level of service with a quick turnaround, and should begin to realize that a slick Web site is only as good as the service that goes along with it.

OUTSOURCING BACKROOM OPERATIONS

There should be brisk loan activity to continue throughout next year. As this continues, it will move lenders into outsourcing more of their operations. Before the recent acceleration of the market, traditional lenders only outsourced when volume increased. Some banks even had second operational sites as a buffer against high volume, but there are fewer redundant sites these days, especially among mid-sized lenders, due to operational costs. Companies will find outsourcing more efficient than doing everything in-house and end up with excess capacity.

INCREASED DEMAND FOR CUSTOM SOLUTIONS

Vendors will need to respond to the individual needs of borrowers with a mass customization. Consumers will dictate the type of service that they are looking for. Lenders, in turn, will have to look to their vendors for more creative and custom solutions, such as creating specific transaction teams that are assigned to individual lenders. These teams will need to have strong relationships with their lenders and understand the expectations of their customers.

NEW ENTRANTS

Insurance, investment, credit card companies and brokerage firms will look to deliver banking and lending services. In the past, banks were going into the insurance business by acquiring insurance companies. However, companies that are involved in financial services, investments and insurance will be searching for ways to leverage their client bases into the banking and lending business by seeking out complete outsourcing arrangements with non-competitive third party sources for all of their loan services in order to attain best practices and variable cost solutions.

MERGERS AND ACQUISITIONS

I am going to go out on a limb to forecast that we will see several mega-mergers of banks and other financial services companies in 2002, in both the bank-to-bank and bank-to-financial services company arenas.

The year 2002 will certainly have its share of surprises for the mortgage industry, the United States and everyday life. Some may be fearful as we learn to be more vigilant, but most will be positive in the renewed patriotic spirit we all share. We can all take refuge in the gifts of family, security and freedom upon which our country was founded, and look forward to the opportunities its future presents.

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(Continued from front page, "Criminal, Credit Checks Increase")

Begin by determining general criteria that will promote a safe working environment for all. For example, include in hiring policies a prohibition on hiring anyone with a history of physical violence or specific felonious behaviors. Then consider each job individually, and identify the types of criminal histories that would be incompatible with the position. "If the job requires someone to operate a cash register or collect receipts, you want to establish a policy that anyone with a recent history of theft or embezzlement will not be considered," Carlson said.

That concept of "recent" is also key to creating policy. A 30-year-old criminal record shouldn't hold the same weight as a fresh conviction, so consider establishing a grace period for some types of offenses. "Above all, be completely consistent," said Carlson.

Many hands, light work

Most companies use a third party to perform investigations. This can be a real time saver. A third party also will be knowledgeable about state laws and compliance issues, and will be able to understand the complex documentation.

Not all criminal background checks will yield the same quality results, so a vender must be chosen carefully. "Standard reports will list the charge, the offense, the disposition of the crime and the sentence served," Carlson said. "I'd encourage employers to order the more detailed county court report that can illuminate more facts about the offense." The term "sex offender," for example, can cover a broad spectrum of crimes, from public nudity to the most heinous types of abuse.

Consent, confidentiality

Be aware that the federal Fair Credit Reporting Act requires third-party investigators to secure the applicant's written consent. If a criminal record is found, applicants must be allowed to question the accuracy of the investigation and must receive a copy of the report and notification of their legal rights before the decision to deny the job is made final. They also may submit an explanatory statement of the circumstances surrounding the conviction.

Ten percent of all job applicants are found to have past convictions, often after they have been asked directly about it.

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

CRIMINAL, CREDIT CHECKS INCREASE

(EXCERPTS)
By *MARTHA FRASE-BLUNT*
Society For Human Resource Management

A top executive scientist at Becton Dickinson, one of the nation's largest medical device companies, recently was discovered to be a convicted murderer. And last spring, Lucent Technologies learned that its director of recruiting previously had pleaded guilty to five felony charges, including forgery and grand theft. These cases are at the extreme, but statistics show that any company is likely to have at least one employee hiding a shadowy past.

Avoiding Litigation

But before checking out your employees or job applicants, check the rules. There are more legal protections in place for job candidates than employers when it comes to background checks, but these vary across the country. According to Kathryn Carlson, director of ADP's Product and Compliance Sector, "Every state has enacted its own set of regulations on what is appropriate for employers to check, and what information they may use.

Accordingly, the employer should be prepared to show a sound business reason not to hire based on the criminal record. Before withdrawing or declining to make a job offer to an applicant found to have a criminal record, the employer should weigh three factors: the nature of the job, the nature of the conviction and when the crime occurred.

For example, a five-year-old DUI (driving under the influence) conviction may be irrelevant when hiring someone who won't be using a company vehicle, but a recent sexual assault may come into play if the position requires the employee to work after hours with keys to the building.

Clearly, this is not an exact science, but companies can protect themselves from accusations of discrimination by establishing and documenting universal standards that address the findings of criminal background checks.

(Continued on back page)

WORKING WITH BUYERS WHO HAVE HAD CREDIT ISSUES (EXCERPTS)

By BRIAN SACKS
The New Jersey Mortgage Press

Have you ever had a buyer with credit issues who came in to get pre-qualified or pre-approved? Based on their poor credit history, you may have said, "Go do 'thus and such' and come back and see us in six months." Yes? Did the buyer ever come back? No, probably not. Actually, when a lender says, "Come back in six months," it is often just a polite way of saying, "Go away and do not bother me."

There are alternatives. Many people with credit issues can qualify for a loan or can be helped to re-establish their credit-worthiness so that in several months, they can qualify for a loan.

BE REALISTIC

The first thing to realize when you are working with clients who have had credit issues is that they are going to pay more to get a loan--both the client and agent must be aware of this. Both must understand that imperfect credit often means that the client will be paying somewhat higher interest rates and a few more points for a mortgage. The lender is not going to take a risk on someone with a sub-par credit track record without "covering" that risk with higher rates and points. That is fair. Folks who had paid their debts fully and on time should reap the rewards of their conscientiousness with lower rates and points. Those who had not, but have "mended their ways," should be given another chance; but they will have to pay a bit of a price for their past poor performance.

The client, agent and loan officer should begin by taking a careful look at the situation. The best way to do this is to have the client

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