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Equifax and Arthur J. Gallagher & Co. Empower Financial Institutions to Tackle Borrower Misrepresentation and Mortgage Fraud

Loan Buybacks Now Protected by Equifax's Undisclosed Debt Monitoring and through Arthur J. Gallagher & Co.'s Hidden Debt Insurance Program

ATLANTA, Oct. 6, 2011 /PRNewswire/ -- Committed to assisting lenders in mitigating loan buy-back risk, [Equifax Inc.](#) (NYSE: EFX) has launched the industry's most comprehensive borrower misrepresentation solution for hidden debt. Lenders who use Equifax's [premier undisclosed debt monitoring solution](#) can now gain access to an exclusive insurance program, offered through Arthur J. Gallagher & Co. (NYSE: AJG). By covering losses tied to loan repurchases resulting from undisclosed debt, this solution enables lenders to reduce taxable loan loss reserves and improve the confidence level of originators, investors, and mortgage insurers in the underwriting process.

(Logo: <https://photos.prnewswire.com/prnh/20060224/CLF037LOGO>)

Financial institutions gain a competitive advantage by leveraging Equifax's [Undisclosed Debt Monitoring](#)™ coupled with insurance provided through Arthur J. Gallagher & Co., which protects lenders against losses often stemming from mortgage repurchase requirements. A solution that is "always on," [Undisclosed Debt Monitoring](#) is the mortgage industry's only platform to monitor for and notify lenders of new accounts and borrower activity initiated during the pre-funding period. Through the monitoring process, [Undisclosed Debt Monitoring](#) alerts lenders of borrower activity that may result in a loan becoming ineligible for delivery to investors and impacting the risk profile of the transaction due to a borrower's misrepresentation of their financial picture. The combined strength of Equifax's [Undisclosed Debt Monitoring](#) and the protection afforded through Arthur J. Gallagher's & Co.'s insurance program enables lenders to quantify and mitigate the financial risk of a loan repurchase while benefiting from state-of-the-art risk management.

"With concerns over loan repurchases still overshadowing the mortgage market, the industry is adopting innovative solutions to prevent the origination of 'stated liability loans' and make losses associated with undisclosed debt a thing of the past," said Steve Meirink, Equifax Mortgage Growth Initiatives Leader. "Through our relationship with Arthur J. Gallagher & Co., we have found a simple, yet unique way to bridge a gap in the mortgage market by offering lenders a ground-breaking solution that can help lower loss severity rates, reduce reserve requirements and restore long-term confidence in the mortgage origination process."

Arthur J. Gallagher & Co. is regarded as one of the world's largest and leading insurance

brokerage and risk management services firms. Its value-added solutions include a full range of mortgage, banking and alternative risk services. Equifax customers using [Undisclosed Debt Monitoring](#) can leverage Gallagher's risk management solutions to safely originate loans in today's marketplace.

"For today's financial institutions, navigating the economic road ahead requires the right combination of industry expertise and innovative solutions," said Justin Vedder, senior vice president, Arthur J. Gallagher & Co. "Teaming with Equifax has led to the market introduction of a unique program capable of setting lenders on a profitable path to reduced loan default exposure and lower loss rates. For lenders focused on industry best practices and investors who value superior mortgage underwriting, this latest industry solution provides the analytics, process and protection critical for sustaining responsible growth."

This relationship represents Equifax's latest effort to help the mortgage industry address the significant problems posed by borrower misrepresentation. According to Equifax, more than \$26 billion in 2009 mortgage vintages that became seriously delinquent within the first year of origination had material misrepresentation of borrower debt. However, financial risk is only one piece of the puzzle. As part of investor and lending requirements such as Fannie Mae's Loan Quality Initiative (LQI) guidelines, lenders may be accountable for new debts a borrower has incurred prior to closing that impact their ability to fulfill a mortgage payment obligation. Under these guidelines, a loan may be ineligible for delivery or subject to repurchase upon later review if it includes borrower debt or liabilities absent from a credit report or undisclosed in the final loan application(1).

With this industry solution, Equifax and Arthur J. Gallagher & Co. have created a unique way to help financial institutions satisfy emerging industry needs and position themselves to:

- Reduce loan loss reserves set aside for repurchases resulting from undisclosed debt.
- Restore confidence in key stakeholders within the mortgage origination and securitization processes, including lenders, investors, mortgage insurers and regulators.
- Leverage the strengths of the industry's only solution able to fully address borrower misrepresentation of liabilities.
- Improve productivity through a streamlined loan quality assurance process, resulting in significant time and cost savings for the lender and investor.

[Undisclosed Debt Monitoring](#) is part of the [Equifax Decision 360™](#) suite of solutions, which delivers a comprehensive consumer view that enables lenders to make confident risk management decisions. To learn more about [Undisclosed Debt Monitoring](#) and other Equifax Mortgage Services, visit www.equifax.com/mortgage/udm.

About Equifax

[Equifax](#) is a global leader in consumer and commercial information solutions, providing businesses of all sizes and consumers with information they can trust. We organize and assimilate data on more than 500 million consumers and 81 million businesses worldwide, and use advanced analytics and proprietary technology to create and deliver customized insights that enrich both the performance of businesses and the lives of consumers.

Headquartered in Atlanta, Equifax operates in four continents and 15 countries, is a member of Standard & Poor's (S&P) 500® Index. Its common stock is traded on the New York Stock Exchange under the symbol EFX. For more information, please visit www.equifax.com.

About Arthur J. Gallagher & Co.

Arthur J. Gallagher & Co., an international insurance brokerage and risk management services firm, is headquartered in Itasca, Illinois, has operations in 16 countries and does business in more than 110 countries around the world through a network of correspondent brokers and consultants. Its common stock is traded on the New York Stock Exchange under the symbol AJG. For more information, please visit www.ajg.com.

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