BlackBox Logic

The Fix-It Award recognizes technology that provides an effective solution to a specific industry problem, need or channel. This year's winner is Denver-based BlackBox Logic.

Since it's launch in 2010, BlackBox has already made a name for itself as a leading-edge data aggregator for nonagency residential mortgage-backed securities, "opening access to premium loan-level data to whole new segments of the RMBS market and providing a deeper dataset with more flexible interfaces for investors who sought new options," said BlackBox in its entry for this award.

BlackBox's crown jewel is its Crystal Logic proprietary Web-based interface and loan-level analytics platform for data extraction and stratification, aggregate collateral manipulation and mortgage market research.

With Crystal Logic, users can access the BBx Data repository, which covers more than 90% of the U.S. nonagency RMBS market, some 21 million loans with data dating back to 1999, updated every month. BlackBox notes that users of BBx Data can match individual loans to deal names, group names and other identifiers on cash-flow waterfall platforms, including Bloomberg and Intex Solutions.

The key way the BBx database adds value is cleansing, verifying and normalizing data across disparate MBS trustees to deliver the highest level of confidence.

Thus, the Congressionally mandated Financial Crisis Inquiry Committee used BlackBox Logic data as a resource throughout the committee's investigation into the mortgage collapse.

BlackBox CEO Larry Barnett points out that enhancements to the Securities and Exchange Commission's Regulation AB have opened "access for more loan-level data providers to offer new alternatives to traditional data providers" at a time when "proposals in the Dodd-Frank Wall Street Reform and Consumer Protection Act push forward even more transparency in loan-level data," and create an enhanced role for independent third-party data verification and analysis in the RMBS markets.

BlackBox cites loan modifications as an area where loan-level data can provide significant benefit, since research has shown that loan mod candidates typically have previous defaulted and show a high propensity to redefault within 12 months of the modification.

"High rates of loan modifications can make reported delinquency rates appear as if they are improving when they are not," said Barnett. "When analyzing more granular data, it becomes clear in many cases that this is just a temporary phenomenon."

"More than 20% of loans in the subprime market fall into this category, where they are considered current on payments solely due to a loan modification," he added.

BlackBox partnered with Thetica Systems to improve RMBS forecasting, and with Equifax to give investors a close look at borrower credit health in nonagency securities to predict defaults and prepayments.

The platform developed by Thetica integrates the BBx database to offer a high-speed analytics module to deliver precise RMBS forecasting. The Equifax tool leverages BlackBox's MBS performance data to help investors improve the accuracy of forecasting models, better predict defaults and prepayments and enhance deal surveillance. MT

WE COMMEND

DataVerify, of Chesterfield, Mo., and its DRIVE system. DRIVE offers a holistic approach to risk mitigation, covering fraud and other factors affecting loan quality. DataVerify quickly identifies conditions that may cause clients to rescore pending first mortgage or home equity applications to determine whether to halt funding.

DataVerify cites having identified 369 pending applications among its clients for properties located in the areas affected by recent floods, representing approximately $73 million dollars in loan balances. DataVerify also was assisted lenders in identifying properties and applicants impacted by the 2010 BP oil spill.

DepotPoint, of Bellevue, Wash., for providing its TrackPoint Web-based workflow technology to manage default assets and facilitating REO and short sales.

At a time when old servicing systems and obsolete workflows are impeding efforts to deal with loan mods and REO disposition on a massive scale, TrackPoint offers a flexible and paperless solution to keep short sales and REO sales from failing. Because TrackPoint is easily customized, it is used to ensure compliance with government programs like the Treasury Department's Home Affordable Foreclosure Alternatives program, as well as investor guidelines.