APRIL 2016 **REPORT**

MORTGAGE MONITOR

BLACK KNIGHT FINANCIAL SERVICES
DATA & ANALYTICS

CONTENTS

APRIL 2016 OVERVIEW

Each month, the Black Knight Mortgage Monitor looks at a variety of issues related to the mortgage and financial services industry.

This month, as always, we begin with a look at some of the high-level mortgage performance statistics reported in the company's most recent First Look report, with a particular focus on the 11-year low in monthly foreclosure starts.

From there, we move on to the current home equity line of credit (HELOC) landscape. As the 2005 vintage accounted for approximately 17 percent of all active 2nd lien HELOCs at the start of 2015, and were set to begin amortizing throughout last year as 10-year draw periods came to a close, we thought it a good idea to review recent delinquency trends as well as draw period expirations and their impact on performance.

Next, we draw on Black Knight's SiteX™ public records database to examine the cash share of residential real estate purchases. Breaking each core-based statistical area (CBSA) into five equal price tiers, we look at the share of cash sales by home price tier. In addition, we take an in-depth look at cash share of high-end home purchases in select California markets.

Finally, leveraging both McDash loan-level mortgage performance along with multiple listing service (MLS) data, we look at the correlation between mortgage characteristics and the likelihood a property will be listed and/or sold.

In producing the Mortgage Monitor, the Data & Analytics division of Black Knight Financial Services aggregates, analyzes and reports upon the most recently available mortgage performance data from the company's McDash loan-level database. For more information on McDash or Black Knight Data & Analytics in general, please call 844-474-2537 or email AskBlackKnight@bkfs.com.

APRIL FIRST LOOK FINDINGS

Here we have an overview of findings from Black Knight's 'First Look' at April mortgage performance data. This information has been compiled from Black Knight's McDash loan-level mortgage performance database. You may click on each chart to see its contents in high-resolution.

	Apr-16	Month-over-month change	Year-over-year change	12 Month Trend
Total U.S. loan delinquency rate (loans 30 or more days past due, but not in foreclosure):	4.24%	3.77%	-10.33%	
Total U.S. foreclosure pre-sale inventory rate:	1.17%	-5.87%	-27.76%	
Total U.S. foreclosure starts:	58,700	-19.37%	-16.62%	
Monthly Prepayment Rate (SMM):	1.26%	-3.24%	-7.25%	
Foreclosure Sales as % of 90+:	2.13%	-2.53%	6.20%	
Number of properties that are 30 or more days past due, but not in foreclosure:	2,146,000	84,000	-235,000	
Number of properties that are 90 or more days past due, but not in foreclosure:	730,000	-3,000	-179,000	
Number of properties in foreclosure pre-sale inventory:	595,000	-36,000	-225,000	
Number of properties that are 30 or more days past due or in foreclosure:	2,741,000	48,000	-460,000	

» April saw a typical seasonal increase in the national delinquency rate , which was up 3.77 percent from a 9-year low in March, but is still more than 10 percent below last year's level

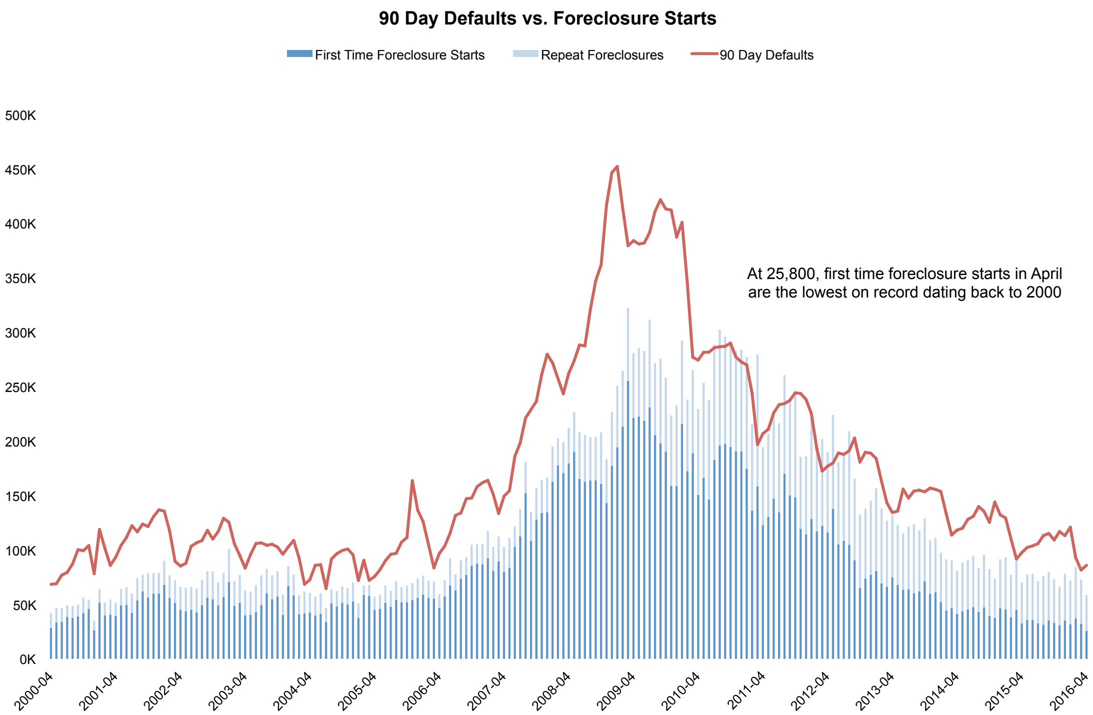
» At 58,700, April's foreclosure starts were the lowest monthly volume since April 2005

» Despite interest rates dropping to their lowest level in nearly 3 years – and having been below 2015 levels for each of the last 3 months – prepayment speeds (historically a good indicator of refinance activity) were down 3 percent from March and 7 percent from last year's level

» Overall, Q1 refinance volumes were down 5 percent by count and down 23 percent by total loan amount originated, from last year

» Down 27 percent from last year, the inventory of loans in active foreclosure has fallen below 600,000 for the first time since 2007, but still remains 2X historical norms

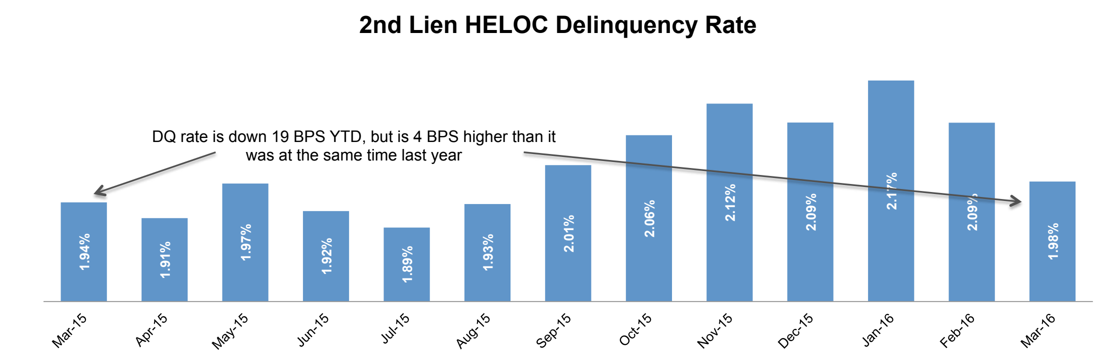
APRIL FIRST LOOK FINDINGS

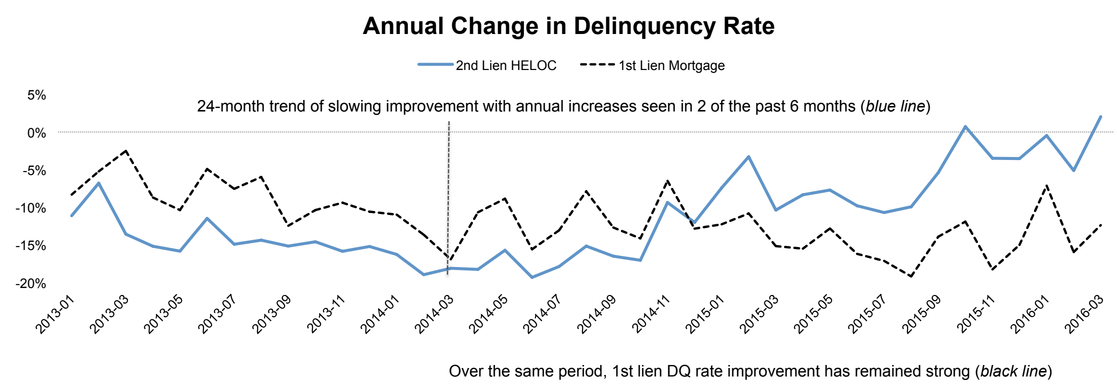


- While total foreclosure starts are the lowest they've been since April 2005, at just 25,800, first time foreclosure starts are the lowest on record, dating back to at least 2000
- Reduced foreclosure starts in April are due in part to the seasonality of 90-day default activity. 90-day defaults typically hit their calendar year low in March leading to a month-over-month reduction in foreclosure starts in the month of April – observed in 10 of the past 12 years.
- Improved mortgage performance has also led to a reduction in foreclosure starts. March saw the lowest one month volume of 90-day defaults in 11 years, down 11 percent from last year and down 82 percent from the January 2009 peak
- Additionally, the ratio of new foreclosure starts to 90-day defaults is lower than pre-crisis norms, likely due to an increased focus on pre-foreclosure loss mitigation

2ND LIEN HELOC DELINQUENCIES

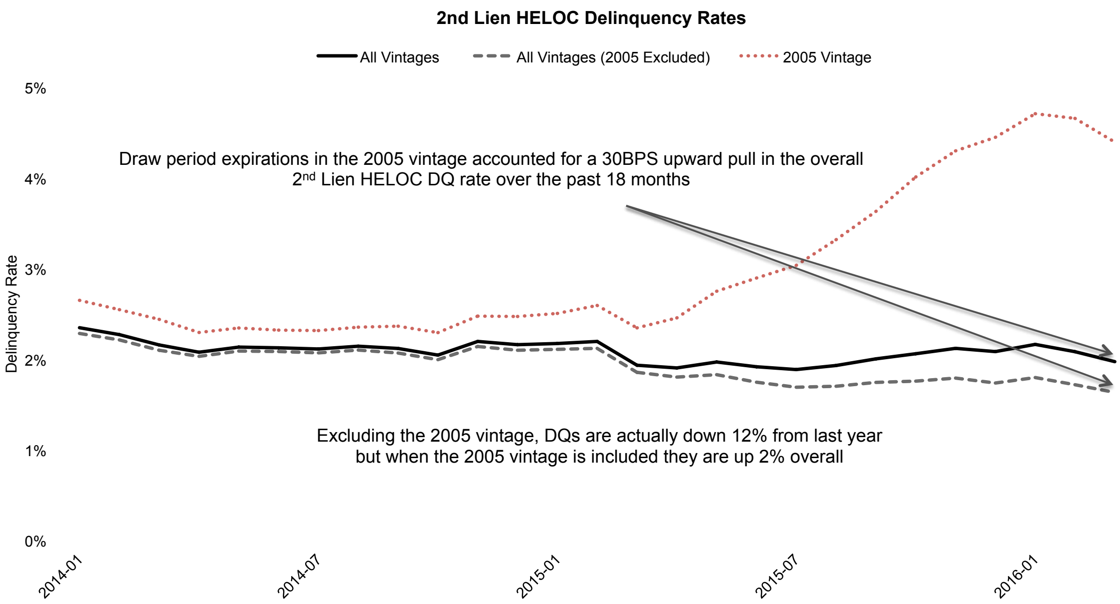
2005 vintage home equity lines of credit (HELOCs) accounted for approximately 17 percent of active 2nd lien HELOCs at the start of 2015, and were set to begin amortizing throughout last year as 10-year draw periods came to a close. This being the case, Black Knight thought it a good idea to revisit the 2nd lien HELOC population to review recent delinquency trends as well as draw period expirations and their impact on performance. This information has been compiled from Black Knight's McDash loan-level mortgage performance database. You may click on each chart to see its contents in high-resolution.





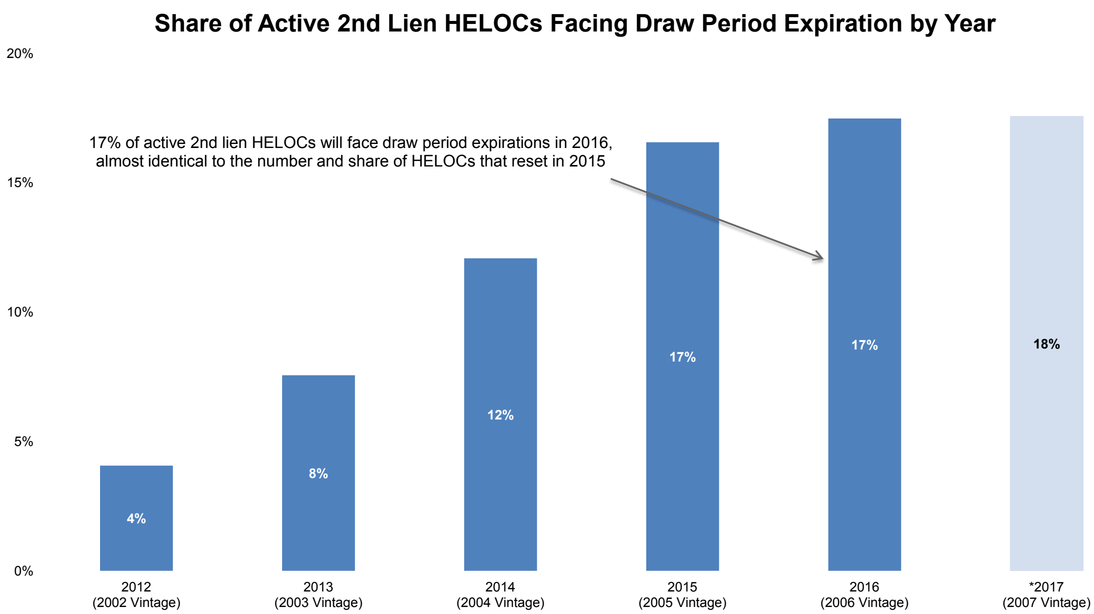
- » Despite seasonal improvements, we've now observed annual increases in the 2nd lien HELOC delinquency rate in two of the past six months – the first such increases observed since June 2012
- » The decline in 1st lien delinquencies has remained relatively strong over the past 12 months, averaging a 15 percent annual reduction in the delinquency rate

2ND LIEN HELOC DELINQUENCIES



- The increase is being driven almost entirely by an 87 percent spike in delinquencies among 2005 vintage HELOCs, which ended their draw periods and began amortizing in 2015
- Due to the large volumes in the 2005 vintage, those delinquencies are more noticeably impacting overall Y/Y HELOC delinquency figures, whereas up until 6 months ago, improved performance of other vintages had been sufficient to mask delinquency rate increases of vintages experiencing draw period expirations
- Entering 2015, the 2005 vintage made up roughly 17 percent of all active HELOCs; currently it accounts for a 13 percent share
- Over the past 3 years a very consistent 90-92 percent rise in delinquency rates has been observed for affected vintages in the 15 months following the start of draw period expirations

2ND LIEN HELOC DELINQUENCIES

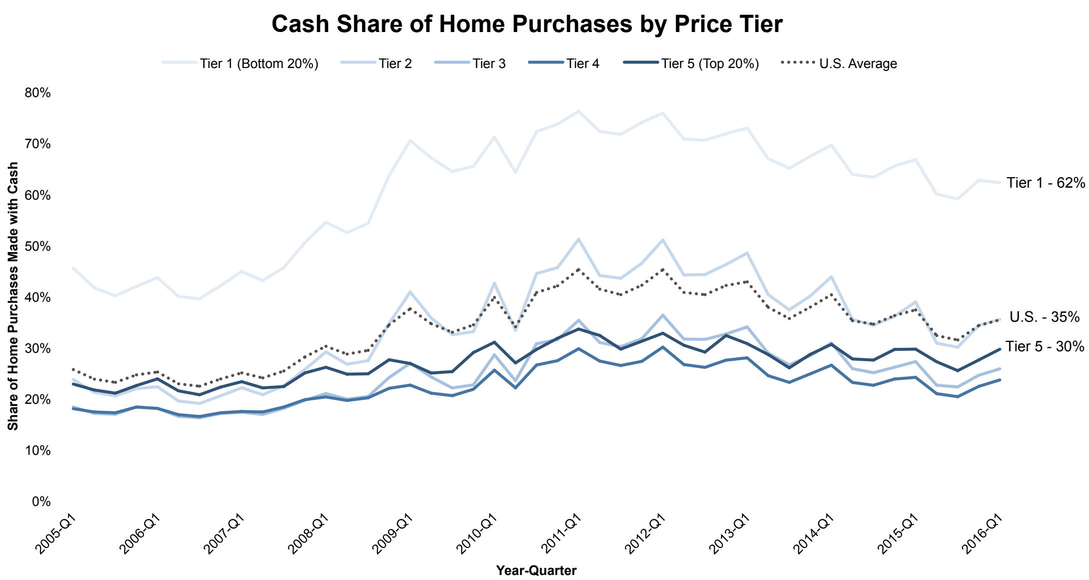


Figures above reflect the share of active 2nd lien HELOCs facing reset within each calendar year as of the first day of each year
Calculations assume 10-year draw periods for all active lines of credit

- There are approximately 1.25 million 2006 vintage HELOCs facing draw period expirations in 2016, roughly 17 percent of all active home equity lines of credit
- The 2007 vintage represents another 18 percent, suggesting the trend will likely continue over the next two years as large volumes of draw expirations take place
- 2006 vintage HELOC delinquency rates are already rising slightly, up 5 BPS over the first quarter of 2016; typically a noticeable rise is seen in April and May of the reset year
- There has been higher proactive prepayment activity in the 2006 vintage over the past 12 months than had been seen in the 2005 vintage, due in part to the low interest rate environments in early 2015 and early 2016; similar benefit may be seen in the 2007 vintage for the same reason
- Over the past two years approximately 30 percent of HELOCs going through draw period expirations have either paid off or refinanced
- Larger balances and higher negative equity rates among 2006 vintage HELOCs will equate to larger payment shocks, and potentially more difficulty in refinancing for some borrowers

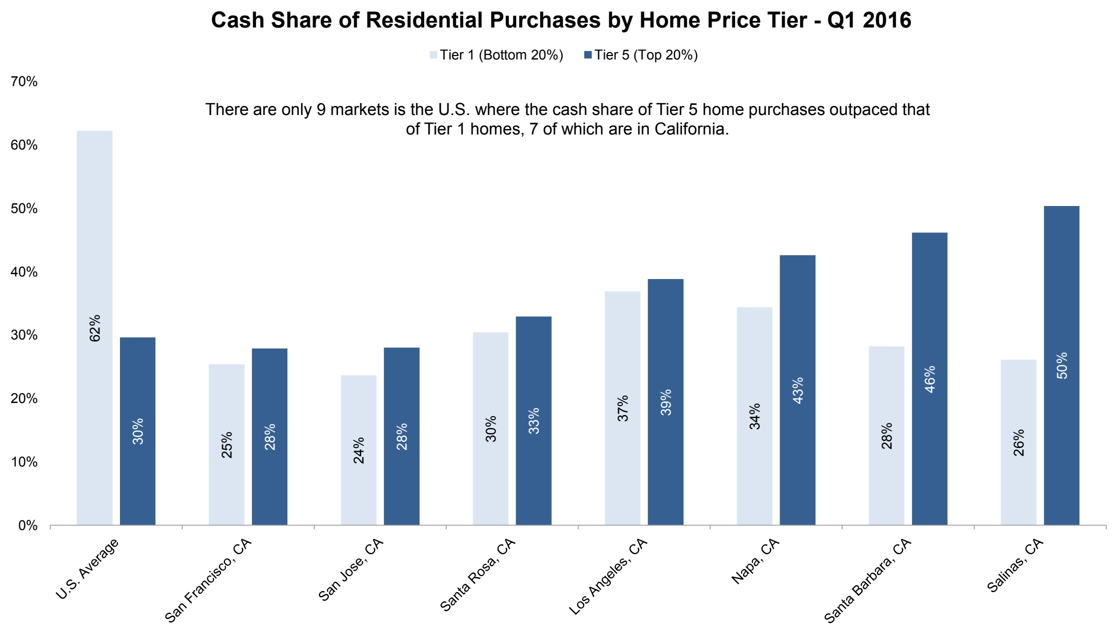
CASH SALES BY HOME PRICE TIER

Here, we examine the cash share of residential real estate purchases, breaking each core-based statistical area (CBSA) into five equal price tiers. In addition, we take an in-depth look at cash share of high-end home purchases in select California markets. This information was compiled from Black Knight's McDash loan-level mortgage performance database as well as Black Knight's SiteX™ public records data. You may click on each chart to see its contents in high-resolution.



- As the inventory of distressed properties has dried up nationwide, the overall share of cash sales has been on the decline, falling from 37 percent of all real estate transactions in Q1 2015 to 35 percent in Q1 2016
- This is down from a peak of 45 percent in 2011, but up from a pre-crisis Q1 average of 25 percent between 2005-2007
- There is a clear disparity between the high and low ends of the market: cash sales made up approximately 30 percent of transactions on properties in the top 20 percent by value but over 60 percent of sales for those in the lowest 20 percent
- Cash sales are disproportionately segmented to the bottom of the market; in even the next price tier up (20th – 40th percentile by home price), the cash share is only 35 percent
- While down significantly from its peak of 75 percent of all transactions at the bottom of the housing market, the 62 percent share for the lowest price tier-end of the market is still quite high historically
- Two primary factors are likely driving this phenomenon: the still higher than average level of negative equity among this segment of the market (16 percent as of December 2015) along with the resulting distressed discounts for buyers, and the lower overall capital required to purchase lower priced homes

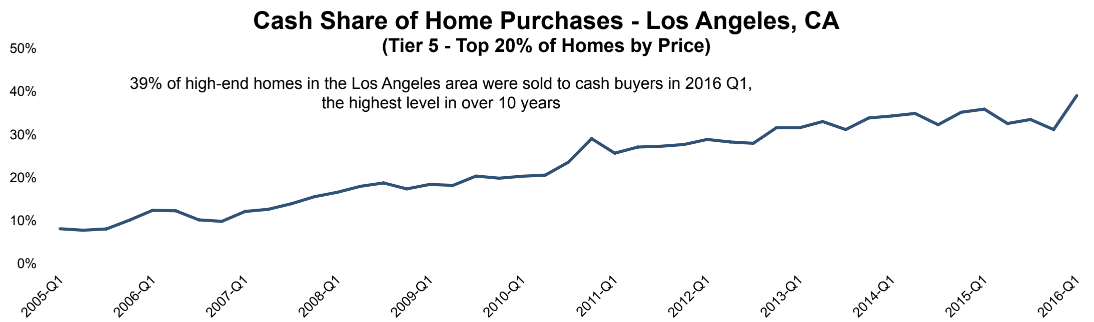
CASH SALES BY HOME PRICE TIER

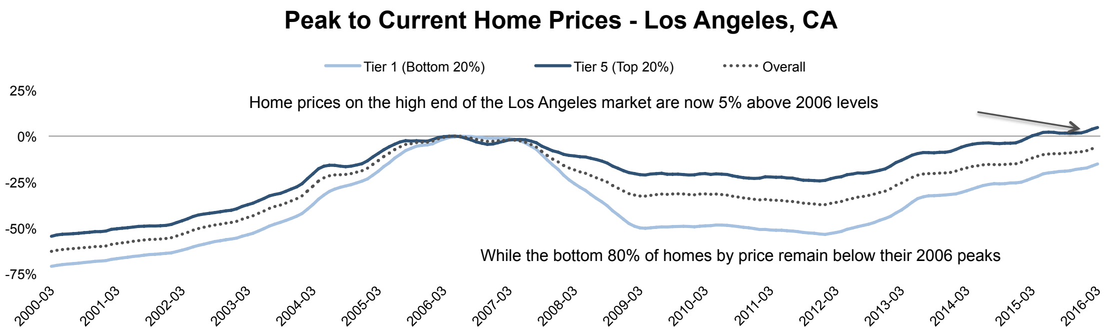


Limited to CBSAs with 2,000 or more residential sales transactions recorded in public records during the 2015 calendar year

- Only 9 CBSAs with at least 2000 recorded home sales in 2015 had a higher share of cash sales for high-end home purchases than in the lowest-end in Q1 2016; of these, 7 are in California
- The data suggests that, rather than buying distressed or low priced properties at a discount, borrowers in these areas are likely using cash as an advantage in hotter markets
- San Francisco and San Jose stand out because of the accelerated levels of home price recovery in those markets
- San Francisco home prices are 13 percent above the 2006 peak, with homes in the highest price tier now 27 percent above their 2006 peak
- In San Jose, the recovery is even more pronounced: home prices overall are 30 percent above the 2006 peak, while Tier 5 home prices are up 40 percent

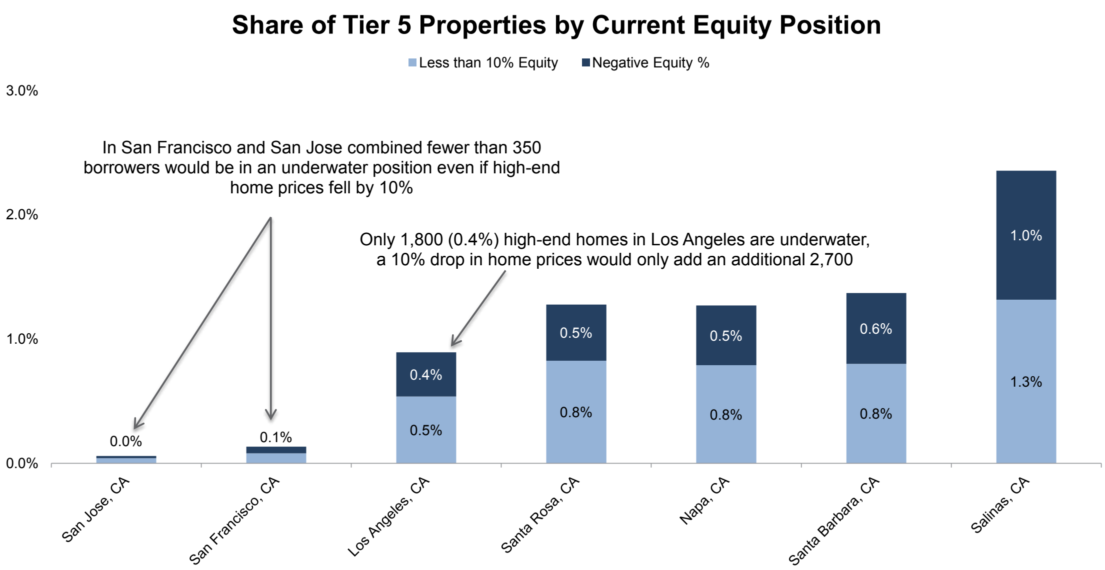
CASH SALES BY HOME PRICE TIER





- Of the California CBSAs where high-end cash sales outpace low-end, Los Angeles may be the most interesting; the Q1 2016 cash share of high-end home purchases (39 percent) was the highest on record
- Cash demand may be helping to fuel home price recovery in higher-end Los Angeles communities; Tier 5 properties are now 5 percent above the 2006 peak, while lower price tiers are still 3-15 percent below peaks
- Overall, the city remains 6 percent off its 2006 peak, while homes in the lowest price tier are still 15 percent below their peak
- It is worth noting there has been some deceleration of home price appreciation (HPA) in Los Angeles, San Francisco and San Jose since May 2015; the deceleration isn't isolated to the high end of the market, but it is slightly more pronounced there

CASH SALES BY HOME PRICE TIER

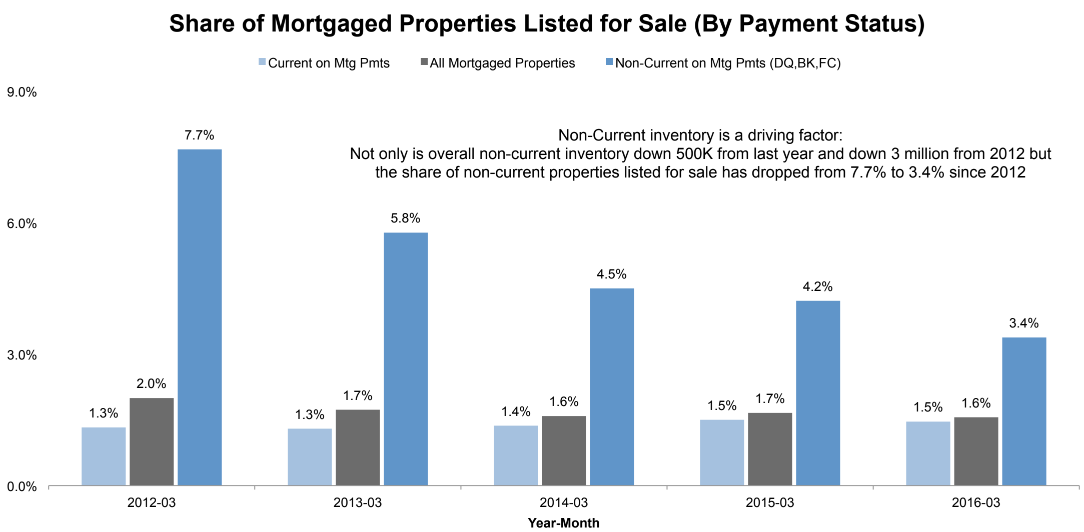


Equity positions were estimated using the February 2016 Black Knight Home Price Index

- Annual HPA on high-end properties in Los Angeles has decelerated from 6.3 to 4.5 percent; in San Francisco from 12 to 7 percent; and in San Jose from 14 to 7 percent; still, moderate softening of high-end home prices in these markets would result in limited principal risk
- There are an estimated 290,000 mortgaged Tier 5 properties in San Jose and San Francisco combined, and even with a 10 percent drop in home prices, fewer than 350 would be underwater
- The Los Angeles metro area Tier 5 mortgaged population is roughly 500,000, only 4,500 of which would have principal underwater if home prices dropped by 10 percent
- Combined, the other markets shown here have a total of 60,000 Tier 5 mortgaged properties, only 380 currently underwater properties, and only an additional 560 with a 10 percent drop in home prices
- There is a total of $1.5 trillion in high-end property in these 7 markets and less than $500 million in principal would fall underwater with a 10 percent drop in values

MORTGAGED PROPERTIES LISTED FOR SALE

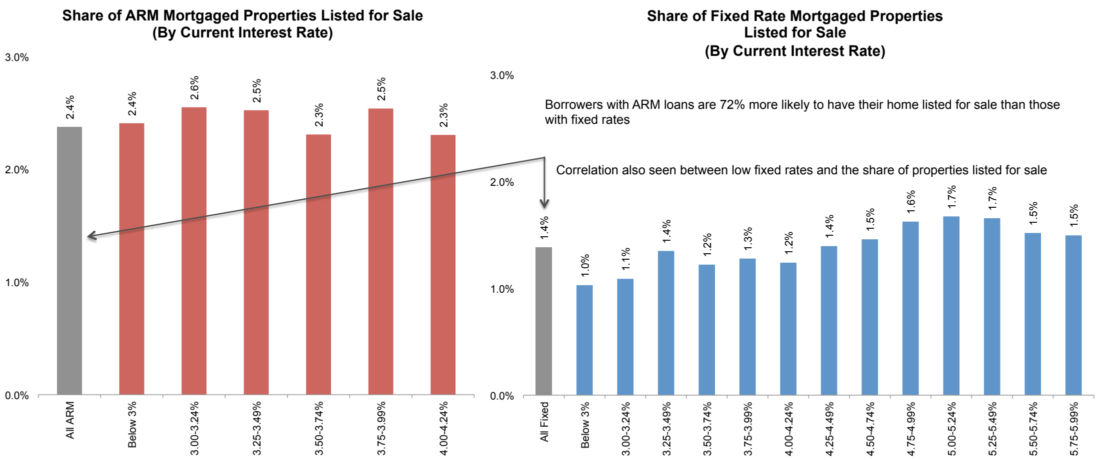
Here leveraging both loan-level mortgage performance and multiple listing service (MLS) data, we look at the correlation between mortgage characteristics and the likelihood a property will be listed and/or sold. This information has been compiled from Black Knight's McDash loan-level mortgage performance database. You may click on each chart to see its contents in high-resolution.



Sources: McDash loan level data and RPR MLS data. Monthly samples included 16M to 20M loans per month where MLS data was available for review. Non-Current inventories do not include REO properties or post foreclosure redemptions

- As this chart shows, the share of mortgaged properties listed for sale is down 5 percent from last year and down 22 percent from 2012
- Borrowers behind on mortgage payments are over 2X more likely to list their property for sale than those that are current on mortgage payments, a disparity that has declined since 2012
- Declines in non-current inventory and non-current listing share have been a driving factor in the overall decline in mortgaged properties listed for sale
- As of March, overall non-current inventory is down 500,000 from last year, and down 3 million from March 2012; in addition, the share of non-current mortgaged properties listed for sale has declined from 7.7 percent in 2012 to 3.4 percent in 2016
- The share of borrowers that are current on their mortgages and have their property listed for sale is relatively flat from last year and up 10 percent from 2012, but that increase hasn't been enough to overcome the decline in non-current listings, contributing to a further tightening of inventory

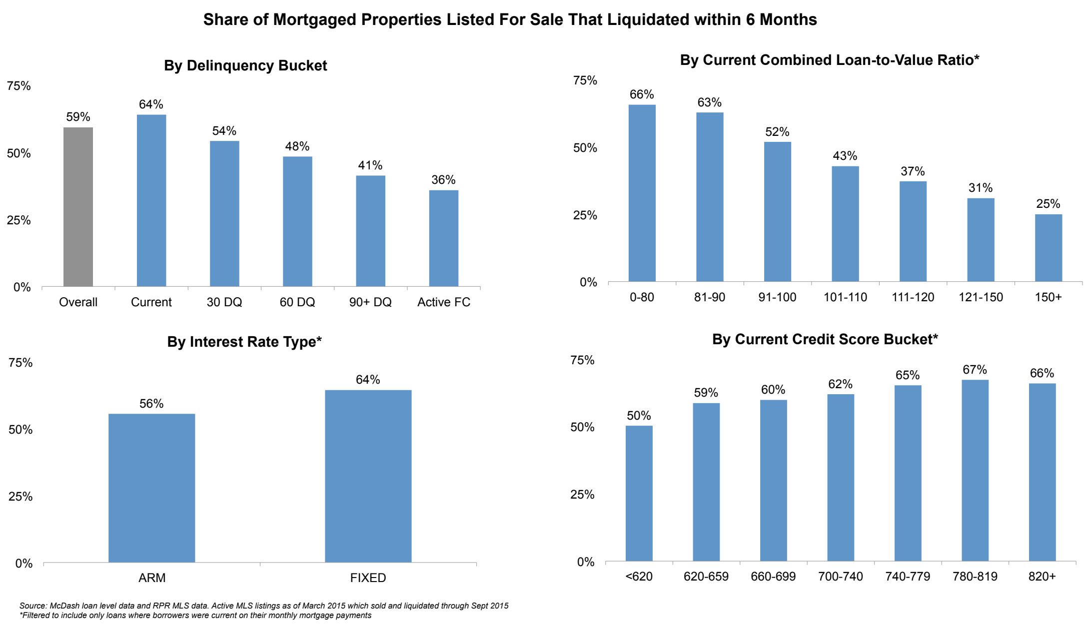
MORTGAGED PROPERTIES LISTED FOR SALE



Sources: McDash loan level data and RPR MLS data. Rate distributions <2% of total are excluded. Sample filtered to current mortgages only

- Here we're specifically examining properties with mortgages for which borrowers are current on their monthly payments, and looking at the correlation between mortgage characteristics and the likelihood of a home being listed for sale
- The correlation between interest type (adjustable rate vs. fixed rate) and the likelihood that a property is listed makes sense because borrowers that intend to own properties for a short duration are more likely to choose an ARM
- We also see a correlation on fixed rate mortgages based upon current interest rate, as, on average, borrowers with lower interest rates are less likely to list their homes for sale than those with higher rates
- This is something to keep an eye on if and when interest rates begin to rise; should the trend hold true, rising interest rates could well put an even greater strain on an already tight housing inventory

MORTGAGED PROPERTIES LISTED FOR SALE



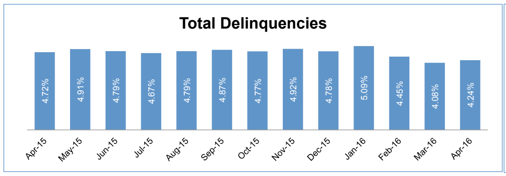
- Nearly 60 percent of mortgages on properties with active for sale listings last spring liquidated within 6 months
- Last spring was a strong home buying season so this figure may be higher than average, but this metric indicates that MLS listing information can be used as a strong short term indicator of potential prepayment risk
- We also see that "pull through" or "liquidation rates" vary depending on the corresponding mortgage characteristics, with borrowers who are current on their mortgages, have lower LTVs, have fixed mortgages and/or have higher credit scores are all among the most likely to close on the sale of their respective properties

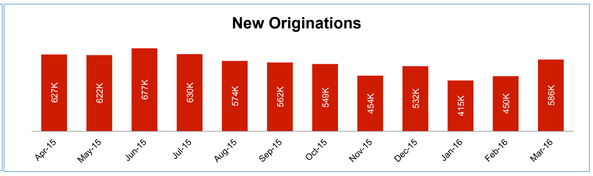
APPENDIX

» April 2016 Data Summary

	Apr-16	Monthly Change	YTD Change	Yearly Change
Delinquencies	4.24%	3.77%	-16.86%	-10.33%
Foreclosure	1.17%	-5.87%	-9.93%	-27.76%
Foreclosure Starts	58,700	-19.37%	-18.36%	-16.62%
Seriously Delinquent (90+) or in Foreclosure	2.62%	-3.04%	-11.29%	-23.72%
New Originations (data as of Mar-16)	586K	30.1%	10.1%	-11.2%

	Apr-16	Mar-16	Feb-16	Jan-16	Dec-15	Nov-15	Oct-15	Sep-15	Aug-15	Jul-15	Jun-15	May-15	Apr-15
Delinquencies	4.24%	4.08%	4.45%	5.09%	4.78%	4.92%	4.77%	4.87%	4.79%	4.67%	4.79%	4.91%	4.72%
Foreclosure	1.17%	1.25%	1.30%	1.30%	1.37%	1.38%	1.43%	1.46%	1.48%	1.52%	1.56%	1.59%	1.63%
Foreclosure Starts	58,700	72,800	84,300	71,900	78,100	66,600	73,200	79,900	76,200	71,500	78,100	77,400	70,400
Seriously Delinquent (90+) or in Foreclosure	2.62%	2.70%	2.82%	2.95%	2.97%	3.02%	3.05%	3.08%	3.12%	3.18%	3.25%	3.33%	3.43%
New Originations		586K	450K	415K	532K	454K	549K	562K	574K	630K	677K	622K	627K





» Loan counts and average days delinquent

Month	TOTAL ACTIVE COUNT	30 DAYS	60 DAYS	90+ DAYS	FC	Total Non-Current	FC Starts	Average Days Delinquent for 90+	Average Days Delinquent for FC	Ratio of 90+ to FC
1/31/05	47,706,128	1,197,062	339,920	458,719	276,745	2,272,446	50,922	242	324	165.8%
1/31/06	50,900,620	1,242,434	387,907	542,378	258,613	2,431,332	76,477	207	308	209.7%
1/31/07	53,900,458	1,425,030	468,441	551,439	393,973	2,838,883	117,419	203	267	140.0%
1/31/08	55,478,782	1,743,420	676,266	950,639	813,560	4,183,885	195,033	190	256	116.8%
1/31/09	55,788,441	2,001,314	932,436	1,878,981	1,321,029	6,133,760	250,621	193	323	142.2%
1/31/10	55,098,009	1,945,589	903,778	2,972,983	2,068,572	7,890,922	292,308	253	418	143.7%
1/31/11	53,861,778	1,750,601	746,634	2,078,130	2,245,250	6,820,615	277,374	333	527	92.6%
1/31/12	52,687,781	1,592,463	652,524	1,796,698	2,205,818	6,247,503	223,394	395	666	81.5%
1/31/13	51,229,692	1,464,583	587,661	1,551,415	1,742,689	5,346,348	156,654	460	803	89.0%
1/31/14	50,380,779	1,341,074	529,524	1,278,955	1,213,046	4,362,599	97,467	486	935	105.4%
1/31/15	50,412,744	1,238,453	465,849	1,060,002	884,901	3,649,204	93,280	509	1,031	119.8%
1/31/16	50,541,353	1,298,682	444,594	831,284	659,237	3,233,797	71,900	495	1,047	126.1%
2/29/16	50,562,450	1,102,328	377,130	772,441	655,311	2,907,210	84,305	489	1,064	117.9%
3/31/16	50,533,910	986,412	343,124	732,765	630,766	2,693,065	72,762	514	1,071	116.2%
4/30/16	50,662,957	1,063,480	351,929	730,179	595,235	2,740,824	58,728	520	1,088	122.7%

APPENDIX

» State-by-state rankings by non-current loan population

State		Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National		**4.2%**	**1.2%**	**5.4%**	**-14.6%**
MS		9.9%	1.2%	11.0%	-12.1%
LA	*	7.7%	1.3%	9.1%	-6.6%
NJ	*	4.8%	4.1%	8.9%	-14.8%
NY	*	4.5%	3.4%	7.9%	-16.2%
AL		7.1%	0.7%	7.9%	-10.3%
ME	*	5.2%	2.7%	7.8%	-13.7%
RI		5.7%	1.9%	7.6%	-16.1%
WV		6.6%	0.9%	7.6%	-5.9%
DE	*	5.0%	1.9%	6.9%	-10.9%
PA	*	5.3%	1.6%	6.9%	-12.2%
IN	*	5.4%	1.3%	6.8%	-12.3%
OK	*	5.1%	1.6%	6.8%	-6.3%
CT	*	4.8%	1.9%	6.7%	-12.5%
AR		5.8%	0.9%	6.7%	-14.6%
FL	*	4.5%	2.1%	6.6%	-23.9%
HI	*	3.3%	3.3%	6.6%	-14.2%
SC	*	5.0%	1.4%	6.4%	-13.0%

State		Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National		**4.2%**	**1.2%**	**5.4%**	**-14.6%**
TN		5.9%	0.5%	6.4%	-15.1%
MD	*	5.1%	1.3%	6.4%	-14.6%
GA		5.8%	0.6%	6.4%	-12.1%
OH	*	4.7%	1.4%	6.1%	-14.2%
NM	*	4.0%	2.1%	6.1%	-12.1%
MA		4.4%	1.5%	5.9%	-16.4%
TX		5.2%	0.6%	5.7%	-7.0%
NC		4.8%	0.7%	5.6%	-13.3%
KY	*	4.3%	1.2%	5.5%	-13.1%
VT	*	3.7%	1.8%	5.4%	-8.9%
IL	*	4.0%	1.3%	5.4%	-16.7%
NV		3.7%	1.6%	5.3%	-22.1%
KS	*	4.3%	0.9%	5.2%	-11.2%
MO		4.6%	0.6%	5.2%	-12.5%
DC		3.0%	2.0%	5.0%	-14.8%
WI	*	3.8%	1.0%	4.8%	-15.1%
NH		3.9%	0.7%	4.6%	-18.1%

State		Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National		**4.2%**	**1.2%**	**5.4%**	**-14.6%**
MI		4.1%	0.4%	4.5%	-15.3%
IA	*	3.3%	1.0%	4.3%	-12.4%
VA		3.8%	0.4%	4.2%	-12.3%
UT		3.3%	0.4%	3.8%	-13.6%
WY		3.2%	0.6%	3.8%	-6.0%
WA		2.6%	1.0%	3.6%	-21.8%
OR		2.4%	1.2%	3.6%	-22.8%
NE	*	3.1%	0.4%	3.5%	-21.7%
AZ		3.0%	0.4%	3.4%	-11.6%
CA		2.9%	0.5%	3.4%	-10.2%
ID		2.5%	0.7%	3.2%	-17.4%
MT		2.4%	0.6%	3.0%	-8.8%
AK		2.6%	0.4%	3.0%	-7.5%
SD	*	2.2%	0.6%	2.9%	-12.0%
MN		2.4%	0.3%	2.7%	-16.1%
CO		2.2%	0.3%	2.5%	-19.9%
ND	*	1.7%	0.5%	2.2%	4.1%

*** - Indicates Judicial State***

DISCLOSURES

Please refer to the links below for specific disclosures relating to Product Definitions, Metrics Definitions and Extrapolation Methodology.

>> PRODUCT DEFINITIONS

>> METRICS DEFINITIONS

>> EXTRAPOLATION METHODOLOGY