APRIL 2017 **REPORT**

MORTGAGE MONITOR

BLACK KNIGHT®
FINANCIAL SERVICES
DATA & ANALYTICS

CONTENTS

APRIL 2017 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 a look at some of the high-level mortgage performance statistics reported in the company's most recent First Look report, with an update on delinquency, foreclosure and prepayment trends. April experienced the largest single-month increase in the national delinquency rate in more than eight years. That and other metrics are explored in greater depth in the next section as we review some noteworthy mortgage performance data from the month.

Next, we look at Q1 2017 mortgage origination data, finding significant declines in both purchase and, to a greater extent, refinance lending volumes. We also explore the ways in which these origination trends are manifesting among different credit groups. Finally, in light of 59 consecutive months of annual home price appreciation and home prices hitting new highs in February and March, we examine national home price trends and the impact of recent interest rate easing on home affordability. In addition, we take a closer look at how mortgage characteristics may be influencing the supply of homes listed for sale.

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.

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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-17	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):	4.08%	↑ 12.93%	↓ -3.58%	
Total U.S. foreclosure pre-sale inventory rate:	0.85%	↓ -3.47%	↓ -27.34%	
Total U.S. foreclosure starts:	52,800	↓ -12.44%	↓ -10.05%	
Monthly Prepayment Rate (SMM):	0.86%	↓ -10.63%	↓ -31.63%	
Foreclosure Sales as % of 90+:	1.96%	↓ -14.20%	↓ -7.80%	

Number of properties that are 30 or more days past due, but not in foreclosure:	2,072,000	↑ 241,000	↓ -74,000	
Number of properties that are 90 or more days past due, but not in foreclosure:	581,000	↓ -8,000	↓ -149,000	
Number of properties in foreclosure pre-sale inventory:	433,000	↓ -15,000	↓ -162,000	
Number of properties that are 30 or more days past due or in foreclosure:	2,506,000	↑ 227,000	↓ -235,000	

» Coming off an 11-year low in March, the national delinquency rate increased by nearly 13 percent month-over-month, the largest monthly rise in more than eight years

» More than 570K borrowers went from current to 30-days past due, resulting in a net increase of 241K in the overall delinquent population

» Just 315K mortgages were paid current from delinquency or foreclosure in April, the fewest since Black Knight began tracking this metric in 2005

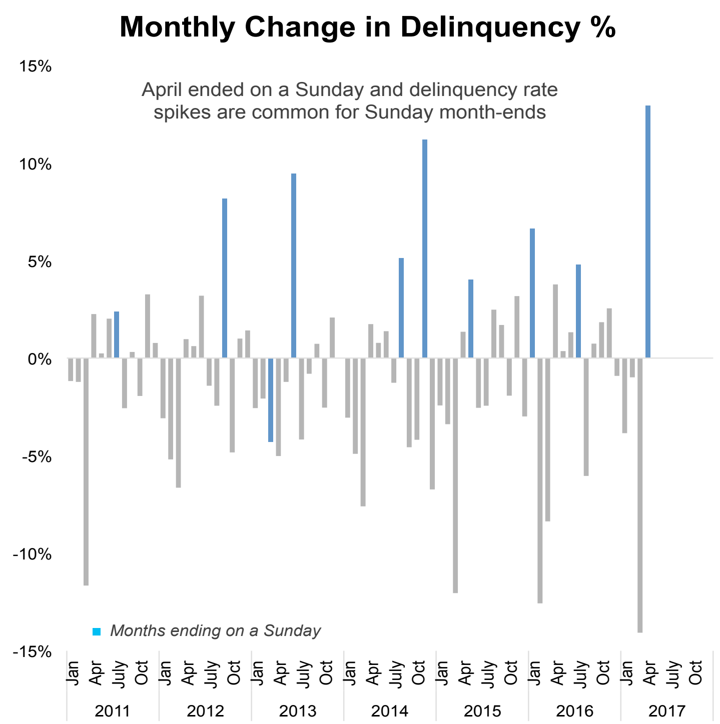
» April's 52,800 foreclosure starts marked the lowest volume in any month since January 2005

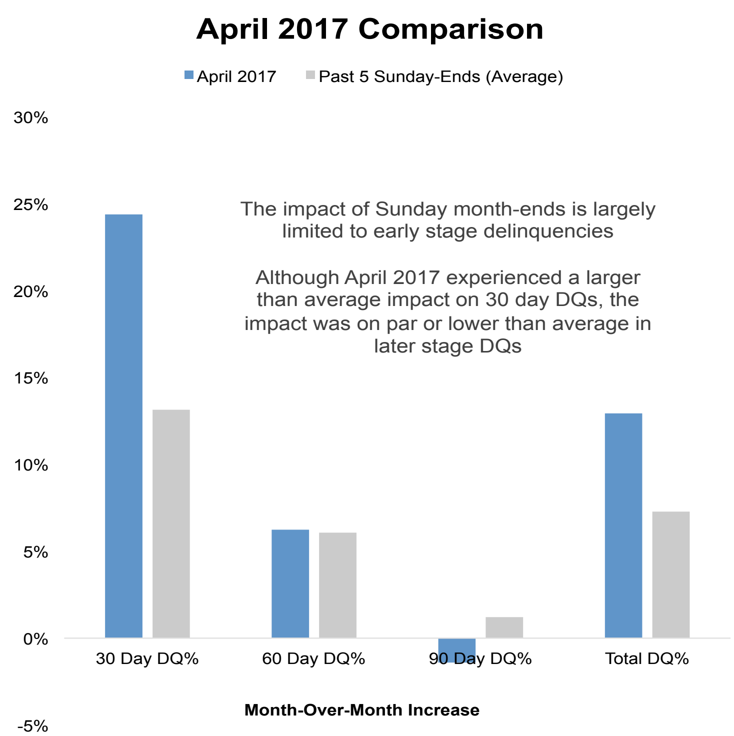
» After rising in March, prepayment speeds (historically a good indicator of refinance activity) pulled back in April, declining by approximately 11 percent month-over-month and 32 percent from one year ago

» The inventory of loans in active foreclosure continued to improve, hitting a 10-year low of 433K

MORTGAGE PERFORMANCE INSIGHTS

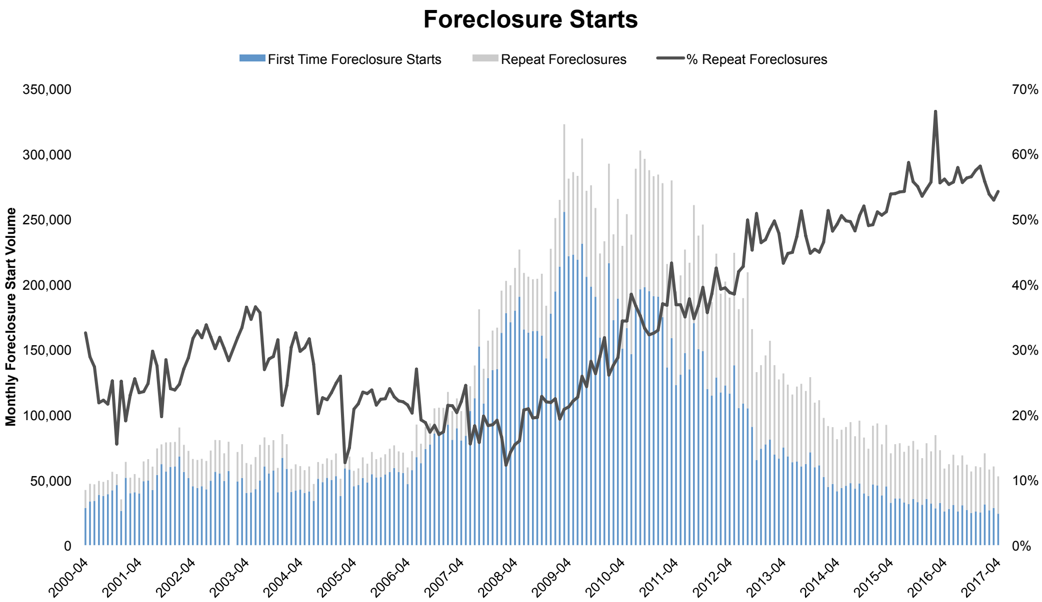
Here, we drill down into the month's mortgage performance data, taking closer look at the delinquency rate increase, foreclosure start activity and prepayment trends observed in April 2017. This information has been compiled from Black Knight's McDash loan-level mortgage performance database. You may click on each chart to see its contents in high-resolution.





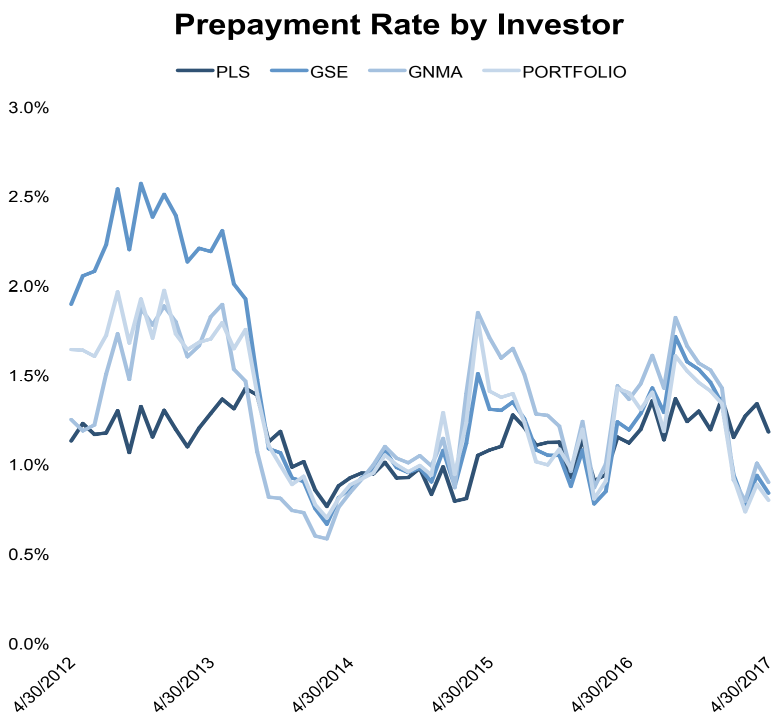
- As mentioned, mortgage delinquencies spiked in April, jumping 13 percent from March, but there is no cause for alarm – the rise was primarily calendar driven
- April ended on a Sunday, which meant that servicing shops weren't open to process any payments made on the last two days of the month
- Almost all Sunday month-ends correlate to a rise in delinquencies for this reason
- March is the typical calendar-year low point for mortgage delinquencies, so there is almost always a rise coming into April; this March had also experienced the largest monthly decline in 11 years
- Sunday month-ends have accounted for the eight highest delinquency rate rises since the housing recovery began, but the following months have also typically seen a significant reversal in the prior month's rise in delinquencies
- 30-day delinquencies jumped 24 percent in April, which is a large increase even by Sunday month-end standards, which see 30-day delinquencies increase in the 13 percent range, on average
- The rise in 60-day delinquencies was on par with the usual Sunday month-end impact at roughly six percent, while both the 90-day delinquency and foreclosure rates decreased in April

MORTGAGE PERFORMANCE INSIGHTS

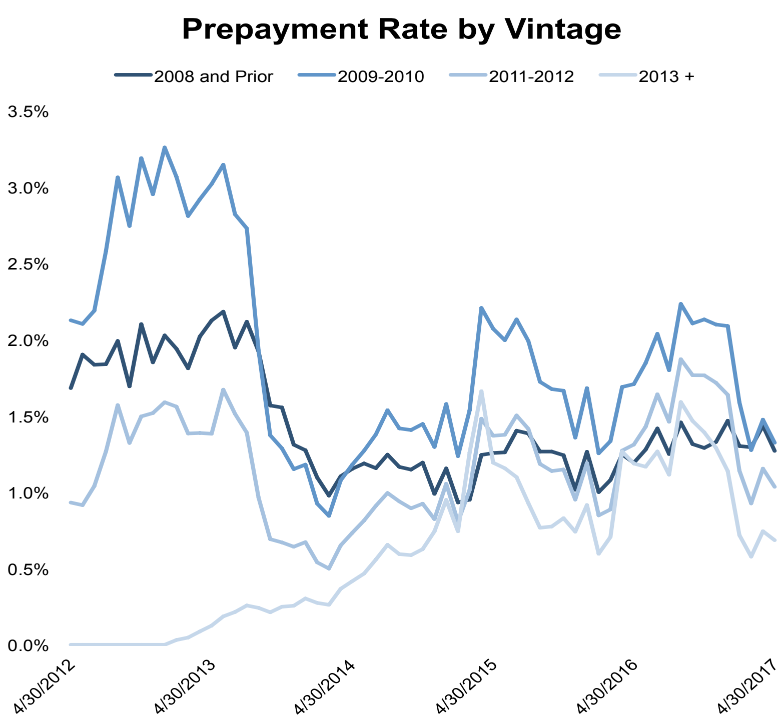


- April's monthly foreclosure starts – at just 52,800 – were the fewest since January 2005
- First time foreclosure starts were just 24,200 of that total, the lowest Black Knight has seen on record (dating back to before the year 2000)
- April's first time starts represent half the volume of an average month in the pre-crisis years (2000-2005)
- Repeat foreclosures are also on the decline; April saw the lowest number of repeat foreclosures (28,600) since 2008
- Repeat foreclosures accounted for 54 percent of all foreclosure activity in April, down slightly from the previous 12-month average.
- Though judicial foreclosure states account for only 41 percent of active mortgages, they made up 54 percent of April's foreclosure starts
- Florida saw the largest volume of starts of any state at 5,680 (11 percent of all starts)
- Mississippi and New Jersey led the country per capita, with nearly two out of every 1000 active mortgages in those states being referred to foreclosure

MORTGAGE PERFORMANCE INSIGHTS



PLS - Mortgages held in Private Label Securities



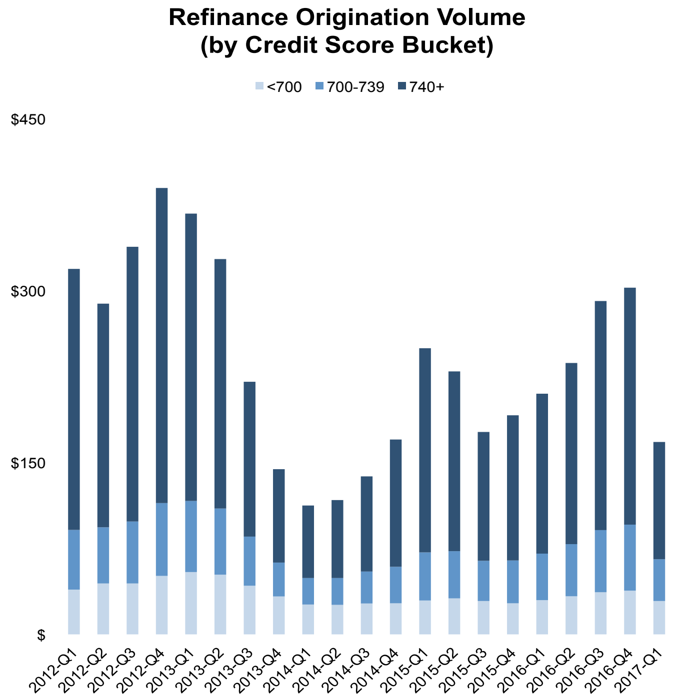
- Prepayments within the GSE, GNMA and Portfolio sectors have fallen by more than 40 percent since November 2016, while prepay activity in the private label security (PLS) market has remained at a relatively consistent level
- As a result, the PLS market is now seeing the highest prepays of any investor group, similar to late 2013/early 2014, the last time interest rates rose significantly
- The most significant declines in prepayments over that time period have been in more recent vintages (2009 and later)
- On the other hand, pre-recession vintages experienced relatively little impact during that period and are now seeing higher prepayment rates in today's market

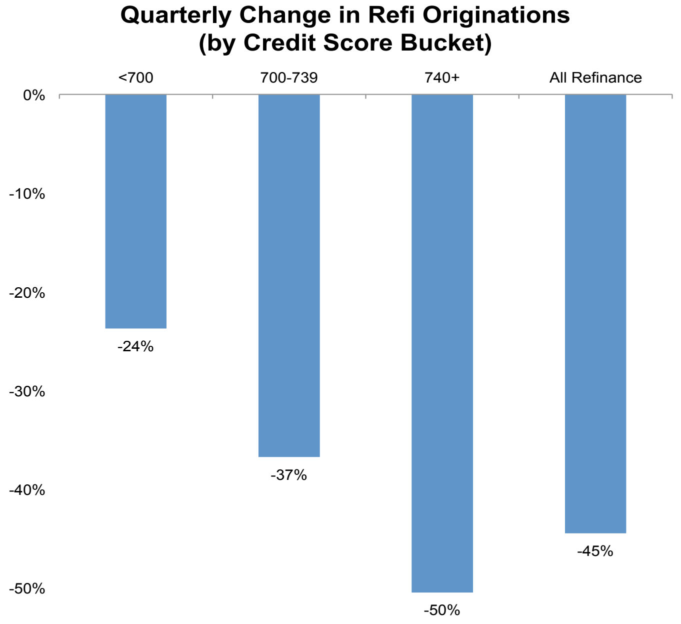
Q1 2017 ORIGINATIONS METRICS

Here, we undertake a review of purchase and refinance origination volumes and trends from the first quarter of 2017. 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.

- Total Q1 2017 origination volumes fell by 34 percent from Q4 2016, led by a 45 percent drop in refinance lending
- Overall, $372B in first lien mortgages were originated in Q1 2017, marking a 9.0 percent decline from Q1 2016 and the lowest quarterly volume originated since Q4 2014
- Refinance lending was down 45 percent from Q4 2016 and 20 percent from the same time last year
- Purchase originations fell 21 percent on a quarterly basis, but were up 3.0 percent from Q1 2016
- Purchase lending's three percent annual growth in Q1 is a marked decline from 12 percent in Q4 2016

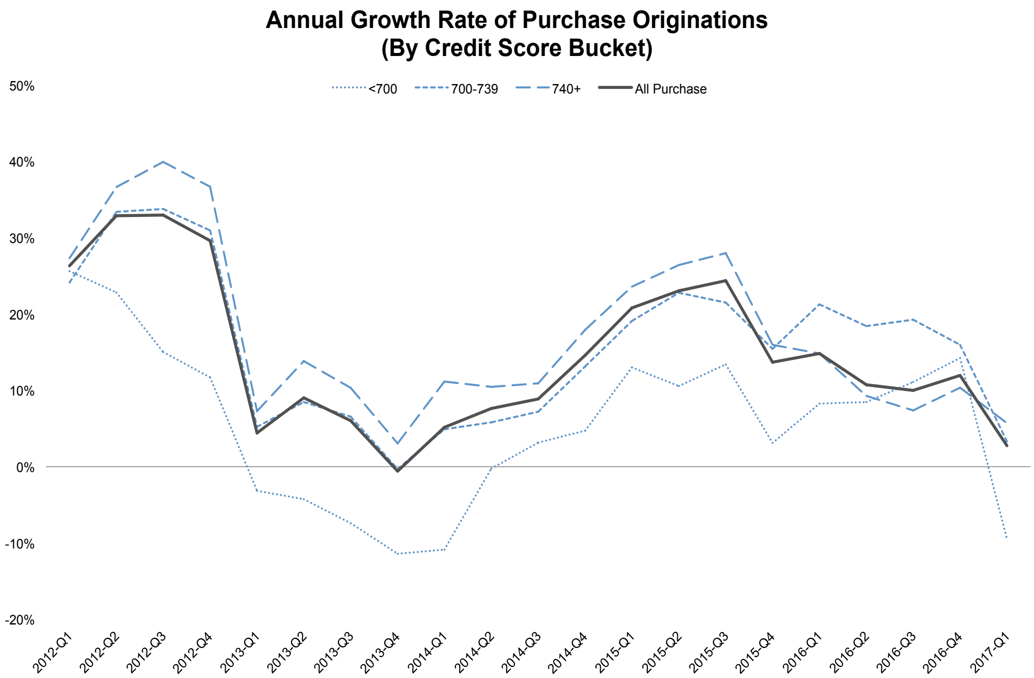
Q1 2017 ORIGINATIONS METRICS





- Higher credit score borrowers (740 and up) saw the greatest decline in refinance activity, with origination volumes declining by 50 percent
- At the other end of the spectrum, refinance lending to lower credit borrowers – those with credit scores below 700 – decreased by 24 percent
- A similar phenomenon was observed in late 2013/early 2014 when interest rates had also risen abruptly, in a very similar fashion to what was observed at the end of 2016
- Refinances – which generally tend to outperform purchase mortgages – are making up a smaller share of the market, accounting for 45 percent of total Q1 originations vs. 54 percent in Q4 2016
- There's been a net lowering of average credit scores as well, with the average Q1 refinance credit score coming in at 742, down from 751 in Q4 2016, and the lowest average credit score since Q3 2014
- Both of these factors could have a dampening factor on mortgage performance holistically speaking and are worth noting as we monitor future performance of 2017 originations

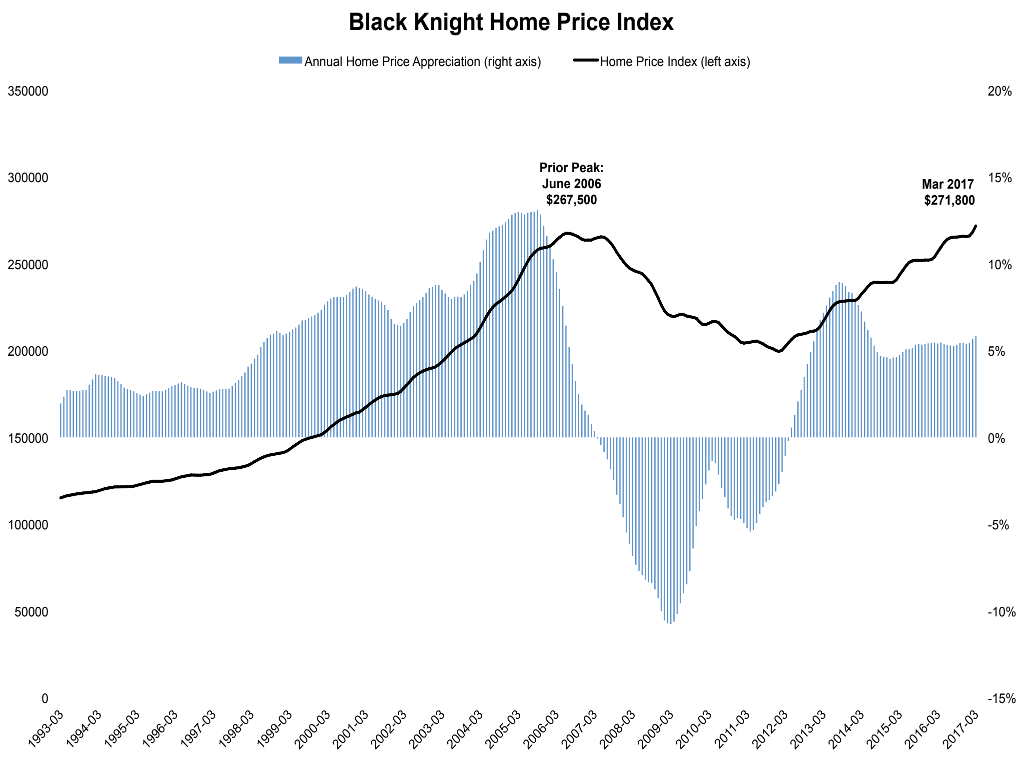
Q1 2017 ORIGINATIONS METRICS



- Q1 2017's sharp decline broke nine consecutive quarters of double digit growth in purchase lending; annual growth fell from 12 percent in Q4 2016 to just 3.0 percent in Q1 2017
- This is the second lowest growth rate observed in any quarter since the housing recovery began
- In Q4 2013 purchase originations actually declined by one percent on an annual basis before picking up steam again; this was also the last time interest rates topped 4.3 percent prior to reaching that mark again in Q1 2017
- The sharpest deceleration (and the only credit segment to see a decline) was among <700 credit score lending, which saw purchase origination volumes fall 9.0 percent from last year
- High credit score lending (740+) was the least impacted by the quarterly decline and is once again leading all credit segments in growth

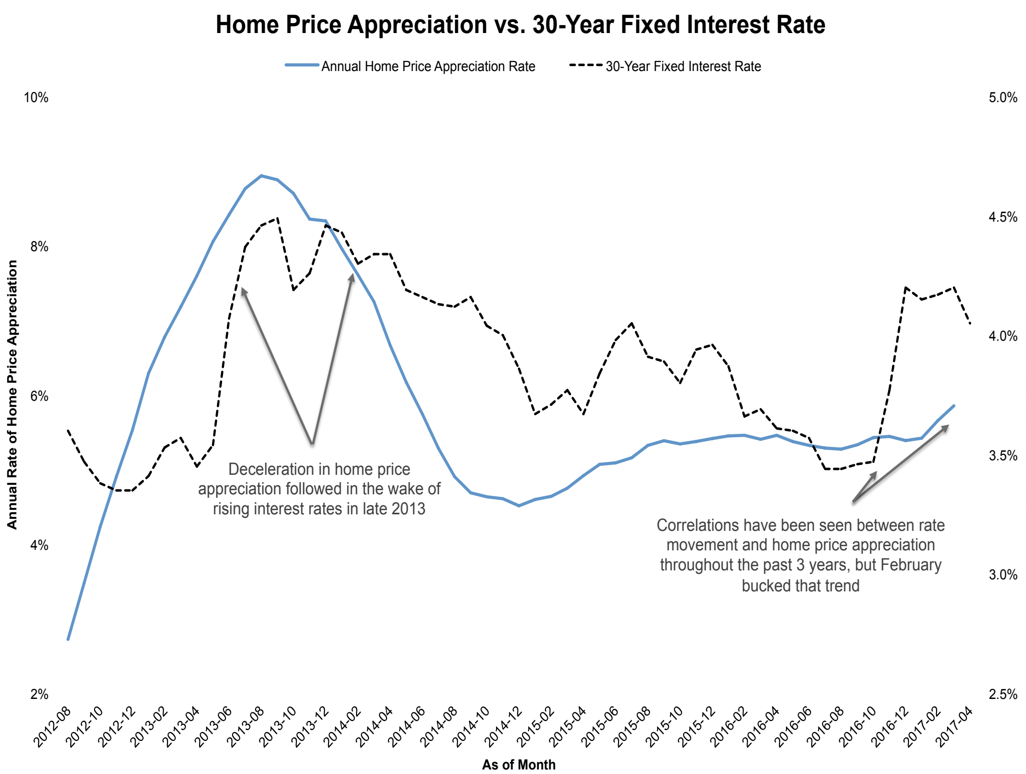
HOME PRICE, AFFORDABILITY AND MLS UPDATE

Here, we examine national home price trends and the impact of recent interest rate easing onhome affordability. In addition, we take a closer look at how mortgage characteristics may be influencing the supply of homes listed for sale. This information has been compiled from the Black Knight Home Price Index and the company's McDash loan-level mortgage performance database. You may click on each chart to see its contents in high-resolution.



- After surpassing the pre-crisis peak for the first time in February, U.S. home prices saw their largest monthly rise in nearly four years in March
- March marked 59 consecutive months of annual national home price appreciation (HPA), with the Black Knight Home Price Index now 1.5 percent above the prior peak observed in 2006
- Washington leads the country in HPA, with prices there up 11.6 percent year over year, nearly 2.0 percent higher than the next fastest appreciating state
- Washington HPA continues to accelerate, while Oregon and Colorado – the 2nd and 3rd fastest appreciating states – have seen deceleration over the past two months
- Wyoming and Alabama are the only states to see home prices decline – and just slightly – from a year ago

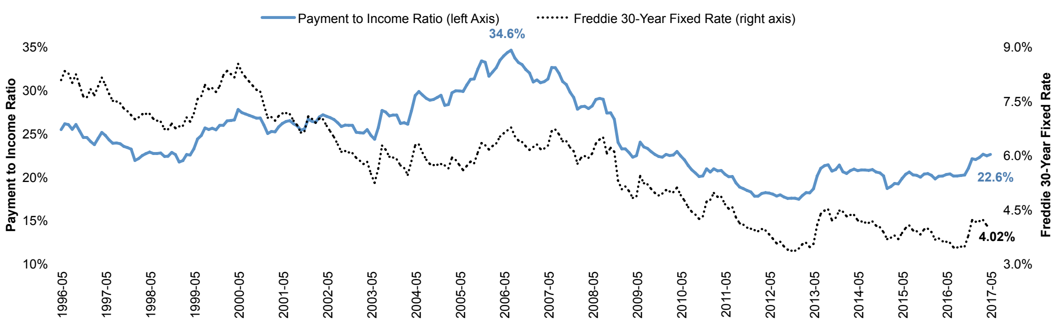
HOME PRICE, AFFORDABILITY AND MLS UPDATE



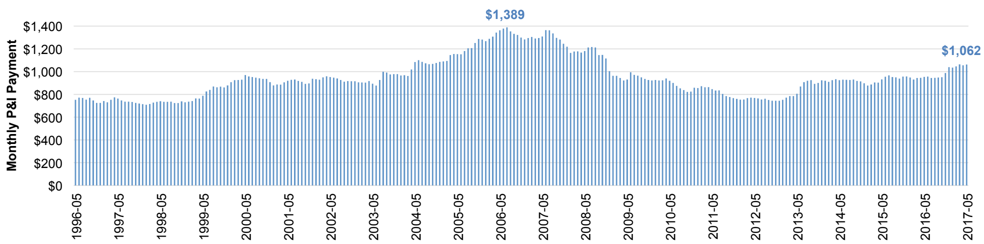
- Home prices accelerated in both February and March, bucking the recent correlation between HPA vs. interest rates
- In recent years, HPA and interest rates have moved in an inverse relationship, albeit minimally (excepting late 2013 when HPA decelerated sharply in the wake of rising interest rates)
- The Black Knight HPI for February and March shows a reversal of this trend; HPA has begun to accelerate alongside rising interest rates
- This suggests that tight inventory nationwide is, at least temporarily, outweighing the impacts of rising interest rates on affordability
- 40 of 50 states saw HPA accelerate from January to February, with March seeing further acceleration in 30 states
- Colorado and Oregon, among the fastest appreciating states, saw HPA slow in both February and March
- New York experienced the greatest acceleration of any state, with HPA rising from 5.3 percent in January to 7.4 percent in March

HOME PRICE, AFFORDABILITY AND MLS UPDATE

National Payment to Income Ratio(1)



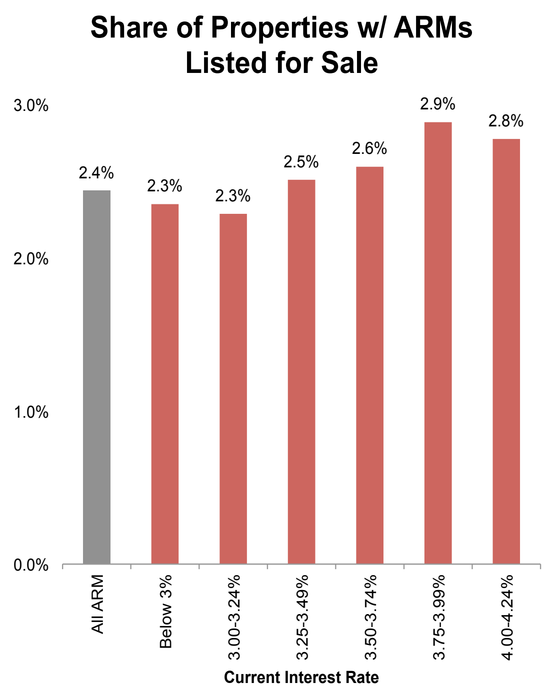
Monthly P&I Payment Needed to Purchase Median Home(2)

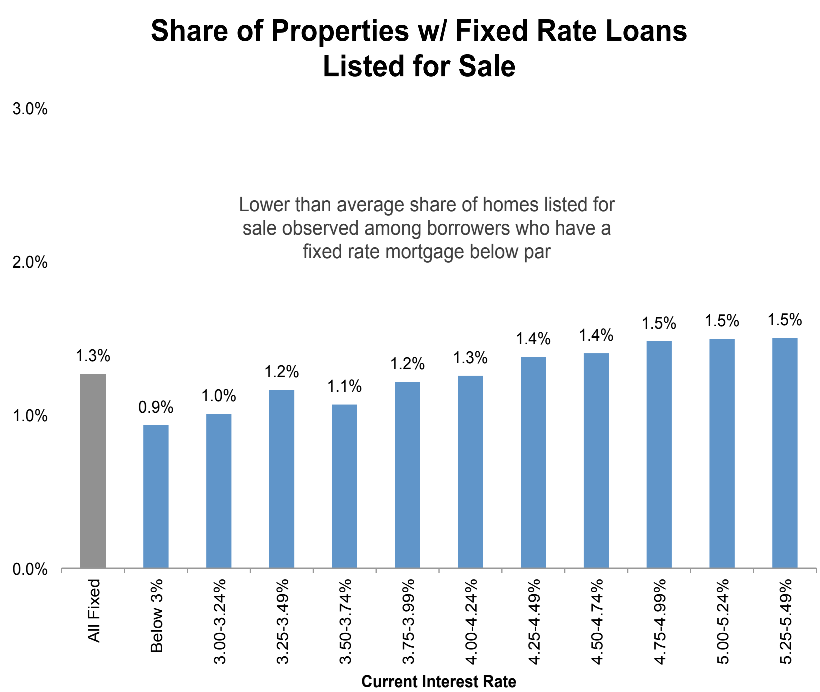


(1) The National Payment to Income Ratio is the % of the median household income needed to purchase the median home using an 80% LTV 30-year fixed rate mortgage at the FHLMC 30-year rate. (2) Using an 80% LTV 30-year fixed rate mortgage at the corresponding FHLMC 30-year fixed rate

- Despite recent interest rate softening, home affordability remains near a post-recession low
- Interest rates fell by one third of a percent from March to April
- All else being equal, this would have a net impact of dropping the monthly cost to purchase the median home by $32/month, or adding approximately $11,000 more buying power with the same resulting monthly payment
- Rising home prices are impacting those savings; over half of borrowers' potential monthly savings have been eaten up by strong home price gains early this year
- It currently requires 22.6 percent of the median income to make the monthly principal and interest (P&I) payment on the median priced home
- Though affordability is being stressed it remains far below the peak of 35 percent of income required in 2006, and still not quite at the pre-crisis average of 26.7 percent from 2000-2005

HOME PRICE, AFFORDABILITY AND MLS UPDATE

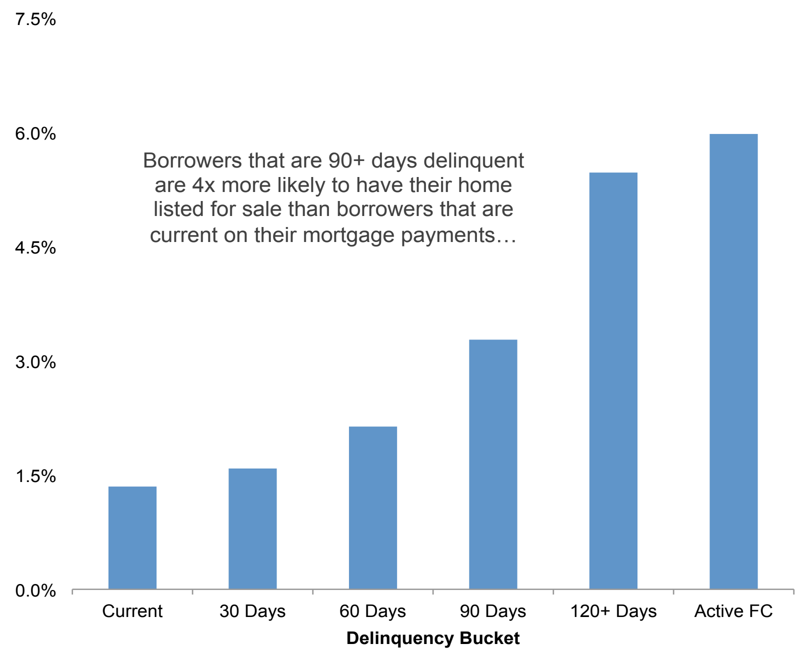




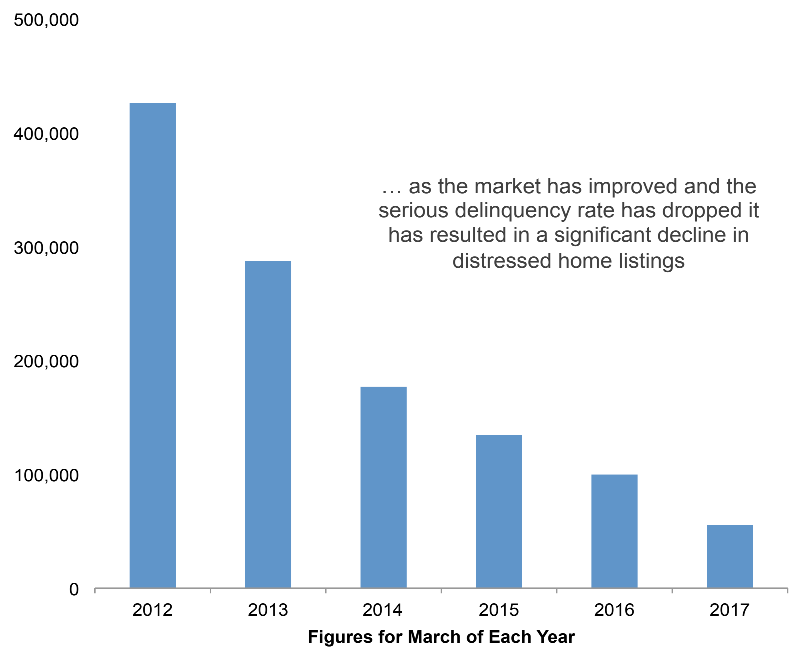
- Mortgage characteristics may be contributing to the reduced supply of home listings
- Properties with adjustable rate mortgages (ARMs) are listed for sale at a higher rate per capita than those with fixed rates, but low interest rates have helped to reduce the number of outstanding ARMs to the lowest point seen since 2002
- Among mortgaged properties with fixed rates, there is a noticeable correlation between interest rate and the likelihood of a home being listed for sale; those with lower fixed rates are listed for sale less often
- Today, roughly 40 percent of active mortgages have a fixed rate below 4.0 percent, which could be contributing to constrained housing inventory

HOME PRICE, AFFORDABILITY AND MLS UPDATE

Share of Mortgaged Properties Listed for Sale - March 2017



Estimated Number of 90+ Day DQ Properties Listed For Sale



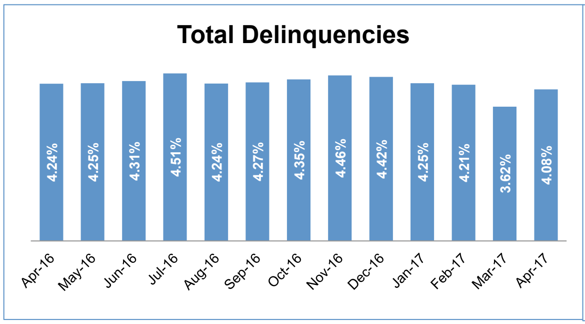
- » A significant reduction in distressed listings is also contributing to the low supply of homes for sale
- » As the data shows, borrowers behind on mortgage payments are much more likely to list their homes for sale, often by necessity (short sale) rather than choice
- » At the bottom of the market in 2012 nearly 40 percent of mortgaged properties listed for sale were past due on payments; today that share has fallen to just 10%
- » More than a quarter of the reduction in mortgaged properties for sale over the past 12 months is due to a reduction in distressed listings
- » Looking at Black Knight HPI data on distressed sales (not pictured here), we see that at the peak of the housing crisis (2009- 2012) there was an average of more than 100k distressed sales per month including both REO and short sale transactions
- » Distressed sales volume has dropped to roughly 25K/month today, a reduction of 75K fewer homes sales per month simply from the decline in distressed sales
- » While a greater share of borrowers who are current on mortgage payments have listed their homes for sale than in 2012 and 2013, this hasn't been enough to offset the decline in distressed listings

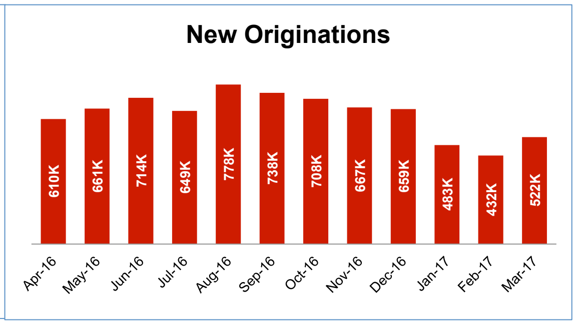
APPENDIX

» April 2017 Data Summary

	Apr-17	Monthly Change	YTD Change	Yearly Change
Delinquencies	4.08%	12.93%	-3.92%	-3.58%
Foreclosure	0.85%	-3.47%	-9.64%	-27.34%
Foreclosure Starts	52,800	-12.44%	-25.00%	-10.05%
Seriously Delinquent (90+) or in Foreclosure	2.00%	-2.30%	-11.10%	-23.58%
New Originations (data as of Mar-17)	522K	20.8%	-20.8%	-15.9%

	Apr-17	Mar-17	Feb-17	Jan-17	Dec-16	Nov-16	Oct-16	Sep-16	Aug-16	Jul-16	Jun-16	May-16	Apr-16
Delinquencies	4.08%	3.62%	4.21%	4.25%	4.42%	4.46%	4.35%	4.27%	4.24%	4.51%	4.31%	4.25%	4.24%
Foreclosure	0.85%	0.88%	0.93%	0.94%	0.95%	0.98%	0.99%	1.00%	1.04%	1.09%	1.10%	1.13%	1.17%
Foreclosure Starts	52,800	60,300	57,900	70,400	59,700	60,400	56,500	61,700	68,800	61,300	69,300	62,100	58,700
Seriously Delinquent (90+) or in Foreclosure	2.00%	2.05%	2.19%	2.25%	2.29%	2.33%	2.33%	2.32%	2.36%	2.46%	2.47%	2.55%	2.62%
New Originations		522K	432K	483K	659K	667K	708K	738K	778K	649K	714K	661K	610K





APPENDIX

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%
1/31/17	50,871,357	1,108,712	389,768	663,521	480,598	2,642,599	70,357	454	1,013	138.1%
2/28/17	50,729,433	1,124,037	369,946	640,797	470,259	2,605,038	57,948	456	1,004	136.3%
3/31/17	50,649,333	923,503	319,382	588,520	447,942	2,279,346	60,342	476	1,007	131.4%
4/30/17	50,753,090	1,150,918	340,008	581,464	433,278	2,505,669	52,769	471	1,007	134.2%

» Loan counts and average days delinquent

APPENDIX

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

State		Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National		**4.1%**	**0.85%**	**4.9%**	**-8.7%**
PR		11.7%	5.6%	17.3%	-2.2%
MS		9.8%	0.9%	10.6%	-3.7%
LA	*	8.0%	1.3%	9.3%	2.0%
VI		4.7%	4.4%	9.2%	-9.0%
GU		6.5%	1.9%	8.4%	-0.5%
AL		7.0%	0.6%	7.7%	-2.5%
WV		6.5%	0.8%	7.4%	-2.5%
ME	*	4.9%	2.2%	7.1%	-9.3%
NJ	*	4.6%	2.4%	7.0%	-21.7%
NY	*	4.3%	2.5%	6.8%	-13.8%
RI		5.4%	1.3%	6.7%	-11.8%
IN	*	5.5%	1.1%	6.6%	-3.3%
OK	*	5.2%	1.3%	6.4%	-4.9%
PA	*	5.3%	1.1%	6.4%	-6.7%
AR		5.6%	0.7%	6.4%	-4.4%
DE	*	5.0%	1.3%	6.3%	-9.0%
CT	*	4.7%	1.5%	6.2%	-7.7%

State		Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National		**4.1%**	**0.85%**	**4.9%**	**-8.7%**
GA		5.6%	0.5%	6.1%	-4.8%
SC	*	5.0%	1.1%	6.1%	-5.5%
TN		5.6%	0.4%	6.0%	-6.3%
MD	*	5.0%	0.9%	5.9%	-7.4%
OH	*	4.6%	1.1%	5.7%	-6.4%
TX		5.1%	0.5%	5.6%	-1.2%
NM	*	4.1%	1.5%	5.6%	-8.3%
FL	*	4.1%	1.4%	5.5%	-16.3%
HI	*	3.2%	2.2%	5.4%	-17.9%
NC		4.7%	0.6%	5.3%	-4.7%
MA		4.2%	1.0%	5.2%	-11.8%
VT	*	3.7%	1.5%	5.2%	-4.5%
KY	*	4.2%	1.0%	5.2%	-5.9%
KS	*	4.4%	0.7%	5.1%	-1.6%
IL	*	3.9%	1.1%	5.0%	-7.6%
MO		4.5%	0.4%	4.9%	-5.2%
NH		3.9%	0.5%	4.4%	-3.3%

State		Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National		**4.1%**	**0.85%**	**4.9%**	**-8.7%**
WI	*	3.6%	0.8%	4.4%	-6.9%
MI		4.1%	0.3%	4.4%	-0.7%
DC		2.9%	1.3%	4.2%	-15.4%
NV		3.1%	1.0%	4.2%	-21.2%
IA	*	3.4%	0.8%	4.1%	-3.2%
VA		3.7%	0.4%	4.1%	-4.3%
WY		3.4%	0.5%	4.0%	5.6%
AK		3.2%	0.3%	3.5%	17.6%
NE	*	3.2%	0.3%	3.5%	0.6%
UT		3.0%	0.3%	3.4%	-10.8%
AZ		2.9%	0.3%	3.2%	-8.0%
CA		2.7%	0.3%	3.0%	-11.4%
SD	*	2.4%	0.6%	3.0%	4.1%
ID		2.5%	0.5%	2.9%	-7.7%
WA		2.4%	0.6%	2.9%	-18.7%
OR		2.2%	0.7%	2.9%	-17.9%
MT		2.4%	0.5%	2.8%	-6.6%

** - 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