JANUARY 2016 REPORT

MORTGAGE MONITOR

BLACK KNIGHT®
FINANCIAL SERVICES
DATA & ANALYTICS

CONTENTS

JANUARY 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, the Mortgage Monitor begins with a look at some of the high-level mortgage performance statistics reported in the company's most recent First Look report. We take a deep dive into January's significant spike in the national delinquency rate, looking at it from the perspective of the calendar, roll rates and loan cures.

Next, given that mortgage interest rates have fallen by 30 basis points in the first six weeks of 2016, Black Knight thought it a good idea to revisit our recent analysis of the population of refinanceable borrowers that could both qualify for and benefit from refinancing their 30-year mortgages. Using broad-based eligibility criteria, we look at the size of this potential market, the savings available to borrowers and what might lay in store should rates continue their current downward trend.

From there, we examine the potential risk exposure faced in three states where courts are deliberating the specifics around how statute of limitations law is applied to foreclosure actions. Finally, with all of the year's data now in, we take an inside look at 2015's mortgage origination trends with a particular focus on the deceleration seen in both purchase and refinance origination growth in Q4 2015.

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.

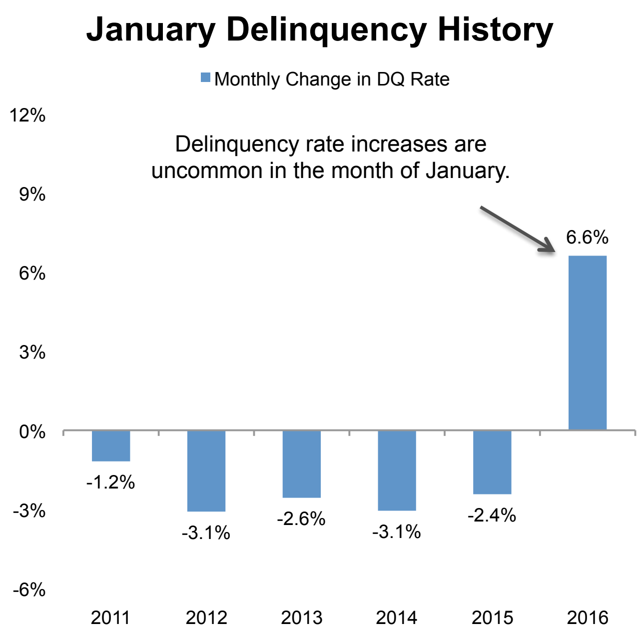
JANUARY FIRST LOOK FINDINGS

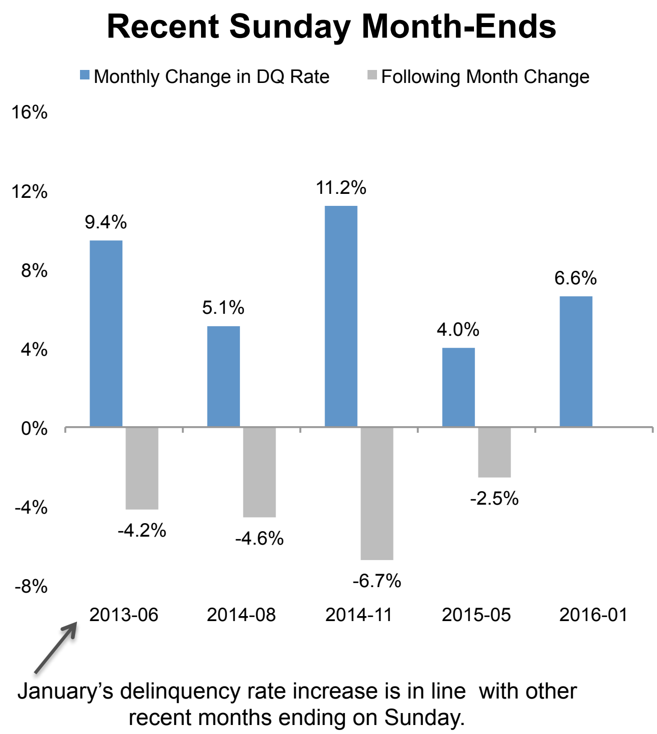
Here we have an overview of findings from Black Knight's 'First Look' at January mortgage performance data, with a particular focus on January's spike in the national delinquency rate. This information has been compiled from Black Knight's McDash loan-level mortgage performance database. You may click on each chart to see its contents in high-resolution.

	Jan-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):	5.09%	6.62%	-7.10%	
Total U.S. foreclosure pre-sale inventory rate:	1.30%	-4.53%	-25.69%	
Total U.S. foreclosure starts:	71,900	-7.94%	-22.94%	
Monthly Prepayment Rate (SMM):	0.81%	-28.67%	-7.88%	
Foreclosure Sales as % of 90+:	2.17%	15.61%	24.76%	
Number of properties that are 30 or more days past due, but not in foreclosure:	2,575,000	167,000	-189,000	
Number of properties that are 90 or more days past due, but not in foreclosure:	831,000	23,000	-229,000	
Number of properties in foreclosure pre-sale inventory:	659,000	-30,000	-226,000	
Number of properties that are 30 or more days past due or in foreclosure:	3,234,000	137,000	-415,000	

- January saw an atypical 6.6 percent rise in delinquencies from December, bringing the national delinquency rate above 5 percent for the first time since February 2015
- Prepayment activity plummeted in January to its lowest level since February 2014 as mortgage applications fell off in late December following the Federal Reserve's announcement to raise interest rates
- The drop in prepays was more pronounced in recent vintages and higher credit score buckets
- Foreclosure sales (completions) were up nearly 16 percent on a month-over-month basis following traditional holiday moratoriums
- Although January's foreclosure sale volume was 4 percent below last year's level, foreclosure sales have been trending upwards as a share of remaining 90+ day delinquent and foreclosure inventories

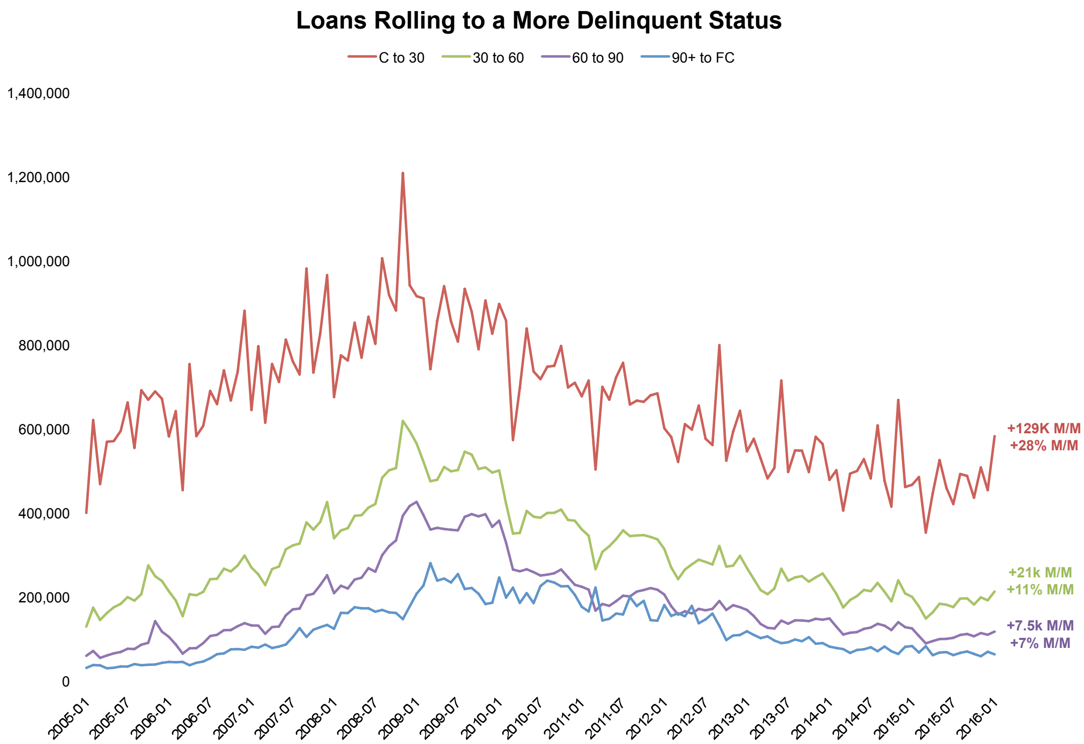
JANUARY FIRST LOOK FINDINGS





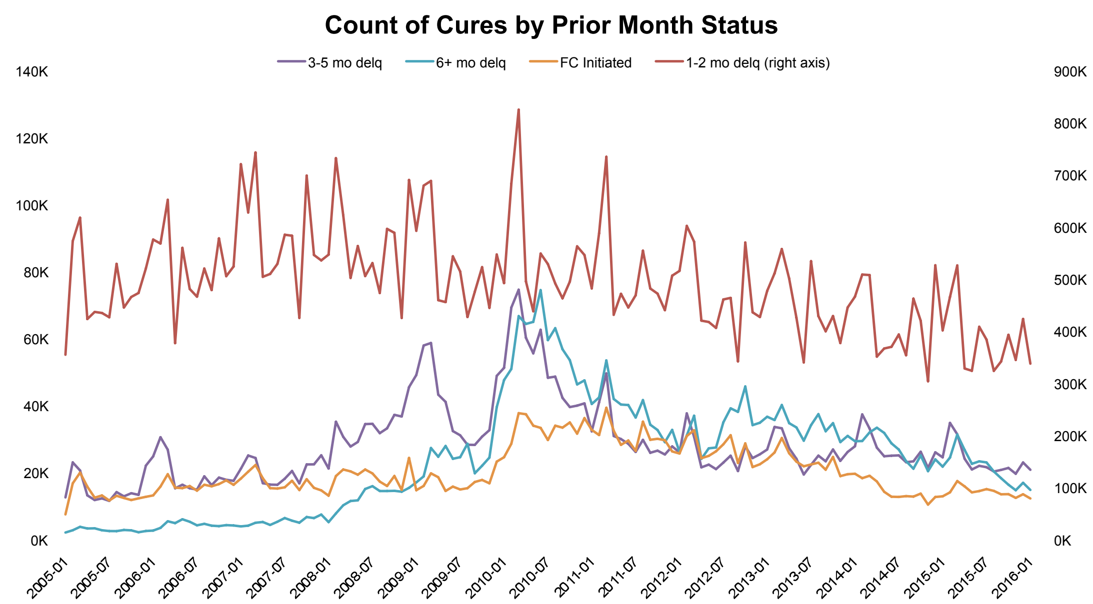
- January's increase in mortgage delinquencies was the first seen in any January since the housing recovery began
- On average over the past four years, Januarys have seen 2 percent or higher drops in the delinquency rate
- This January's delinquency rate increase appears to be primarily calendar-driven
- Sunday month-ends typically result in delinquency rate increases as servicers are unable to process any payments made on the last two calendar days of the month
- The five largest month-over-month increases seen in the past three years have all come in months ending on a Sunday
- It is typical to see a partial, but not full, recovery the following month

JANUARY FIRST LOOK FINDINGS



- Increased roll-rates (loans rolling over into a more delinquent status) were observed across all delinquency categories in January, though more pronounced in early stage delinquencies
- Over 580k borrowers became 30-days delinquent in January, a 129k increase from December (+28 percent month-over-month)
- Roll rates from 30 to 60-days delinquent were less pronounced at an 11 percent increase over December, while 60 to 90-day rolls were up 7 percent
- Rolls from 90-days delinquent to foreclosure, not being impacted by Sunday month-ends, were actually down in January

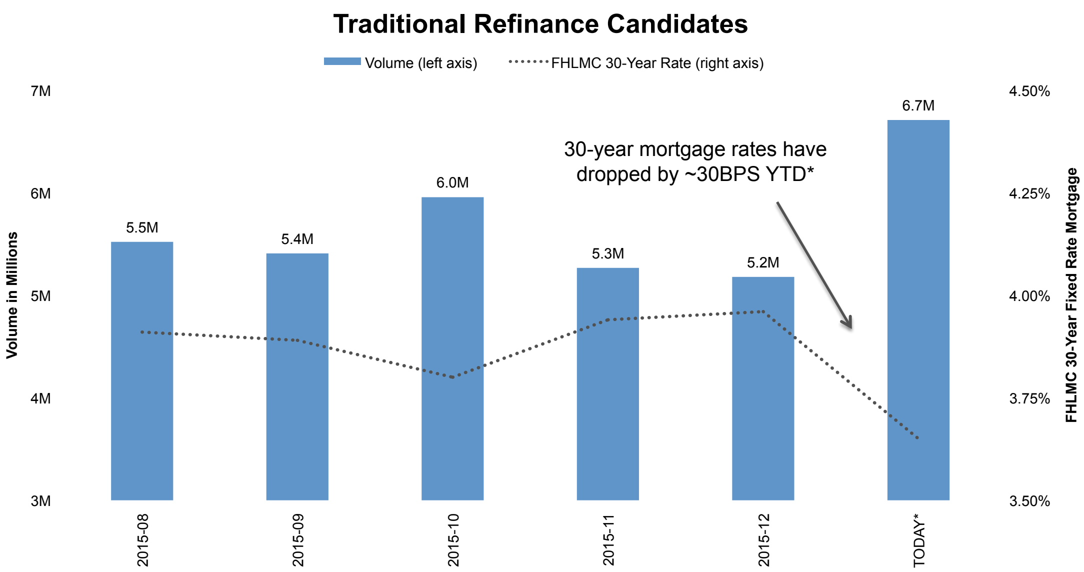
JANUARY FIRST LOOK FINDINGS



- Likewise, there was a corresponding drop in loan cures (loans curing to current from a delinquent status) in January, also attributed to the month's ending on a Sunday
- As with roll-rates, the drop in cures was more pronounced among earlier stage delinquencies, with cures from 1-2 months delinquent seeing a 20 percent decline from December
- Later stage cures were impacted as well: a 9 percent month-over-month reduction in cures for loans 3-5 months delinquent, while 6+ months delinquent saw a 13 percent reduction
- There was also a 9 percent drop in cures from active foreclosure in January
- Together with the rise in roll rates, the drop in cures contributed to January's spike in the delinquency rate

REVISITING THE REFINANCEABLE POPULATION

As mortgage interest rates have fallen by 30 basis points in the first six weeks of 2016, we felt it timely to revisit our recent analysis of the population of borrowers that could both qualify for and benefit from refinancing their 30-year mortgages. 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.

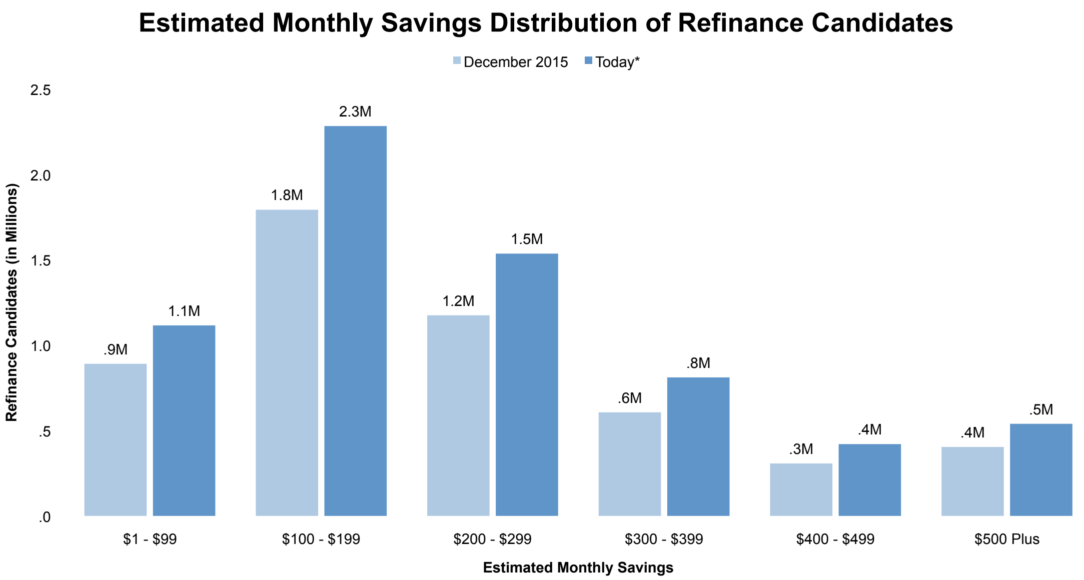


****Refinance Candidates** are borrowers that are current on their 30-year mortgage with <=80% current LTVs, credit scores >= 720, and current interest rates on their mortgage >= 75 BPS above the 30-year fixed rate at the time as reported in the FHLMC rate survey*

TODAY is based on FHLMC 30-year rate as of February 18th 2016 of 3.65%

- Recent interest rate declines have given 1.5 million additional borrowers incentive to refinance
- The total refinanceable population of 6.7 million has grown by 30 percent in just the first six weeks of 2016
- Given that refinance originations fell by 27 percent from Q1 to Q4 2015 and prepayment rates hit their lowest level in two years in January, the expansion of potential candidates could provide a lift to the market as we move forward in 2016
- This drastic rise above the 5.2 million potential refinance candidates is driven by the number of borrowers with current interest rates is in the 4.5 percent range
- Declining interest rates have also given a boost to the HARP program, set to expire at the end of this year, with 40k more borrowers who both meet broad HARP requirements and have interest rate incentive to refinance

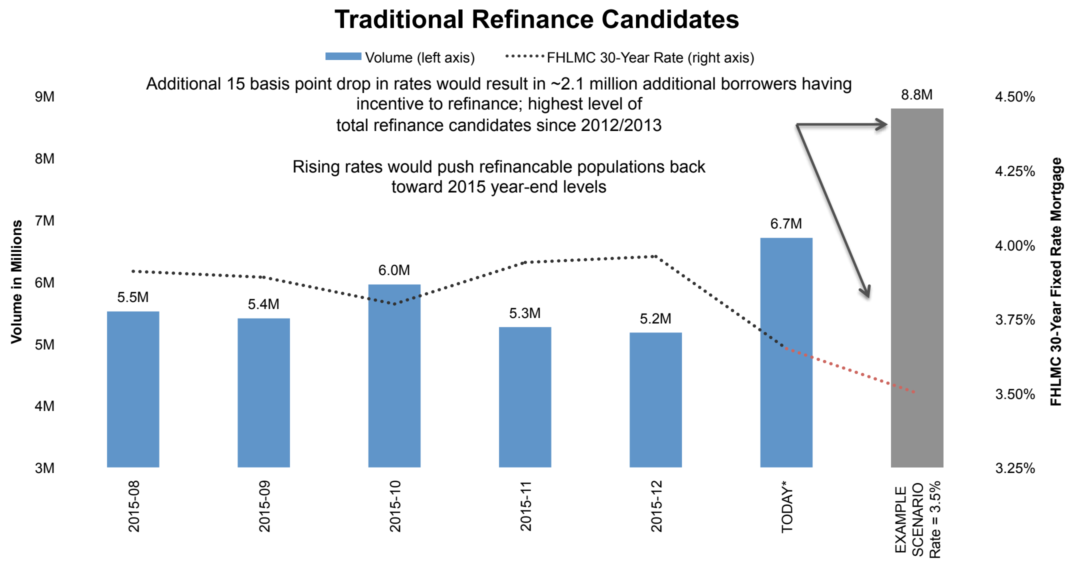
REVISITING THE REFINANCEABLE POPULATION



*Today is based on FHLMC 30-year rate as of February 18th 2016 of 3.65%

- 3.3 million refinance candidates could save $200 or more each month, and nearly one million could save over $400 per month
- Compared to year-end 2015, there are now 800k more borrowers that can save over $200 per month
- The average borrower could save approximately $3,000 per year by refinancing at today's rates
- All totaled, potential savings in the market have swelled from $1.27 billion per month at the end of 2015 to $1.67 billion per month, or about $20 billion per year

REVISITING THE REFINANCEABLE POPULATION



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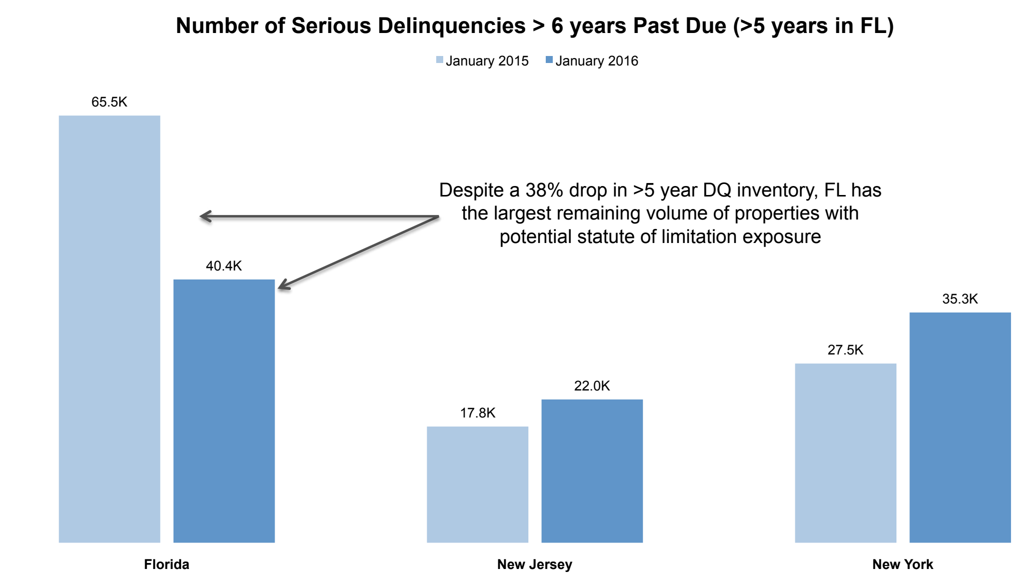
TODAY is based on FHLMC 30-year rate as of February 18th 2016 of 3.65%

- Further rate movement in either direction could have a significant impact on refinance originations in early 2016
- To that end, we also looked at an example scenario to see what impact an additional 15 basis point reduction – taking interest rates down to 3.5 percent – might have
- In such a scenario, yet another 2.1 million borrowers are brought into the refinanceable population
- At 8.8 million, that would make for the largest number of refinance candidates since 2012-2013, when rates were at historic lows
- On the other hand, this remains – as always – an extremely rate sensitive population; if rates begin to rise, these numbers will dissipate quickly

FORECLOSURE STATUTES OF LIMITATION EXPOSURE

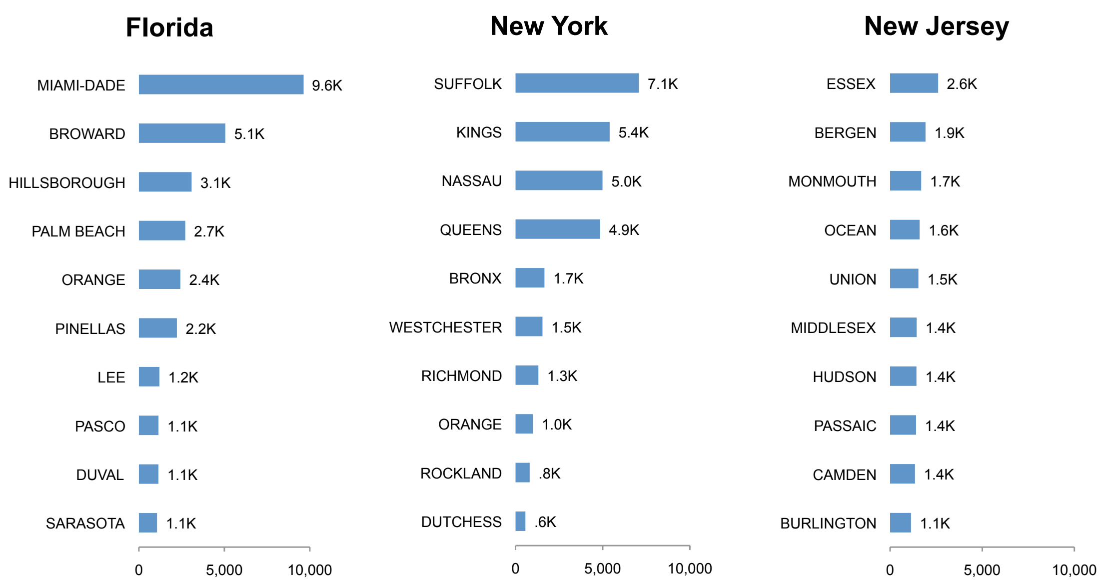
This month, Black Knight also looked at potential risk exposure faced in three states where courts are deliberating the specifics around how statute of limitations law is applied to foreclosure actions. This information has been compiled from Black Knight's McDash loan-level mortgage performance database. You may click on each chart to see its contents in high-resolution.



**Potential exposure to statute of limitations depicted above is a count of all active first lien mortgages >6 years past due in NY & NJ and >5 years past due in Florida. No concessions are made for when the debt was accelerated as part of the FC process. These figures are intended to be a high end estimate of the number of total mortgages that may be impacted by applicable statutes of limitations.*

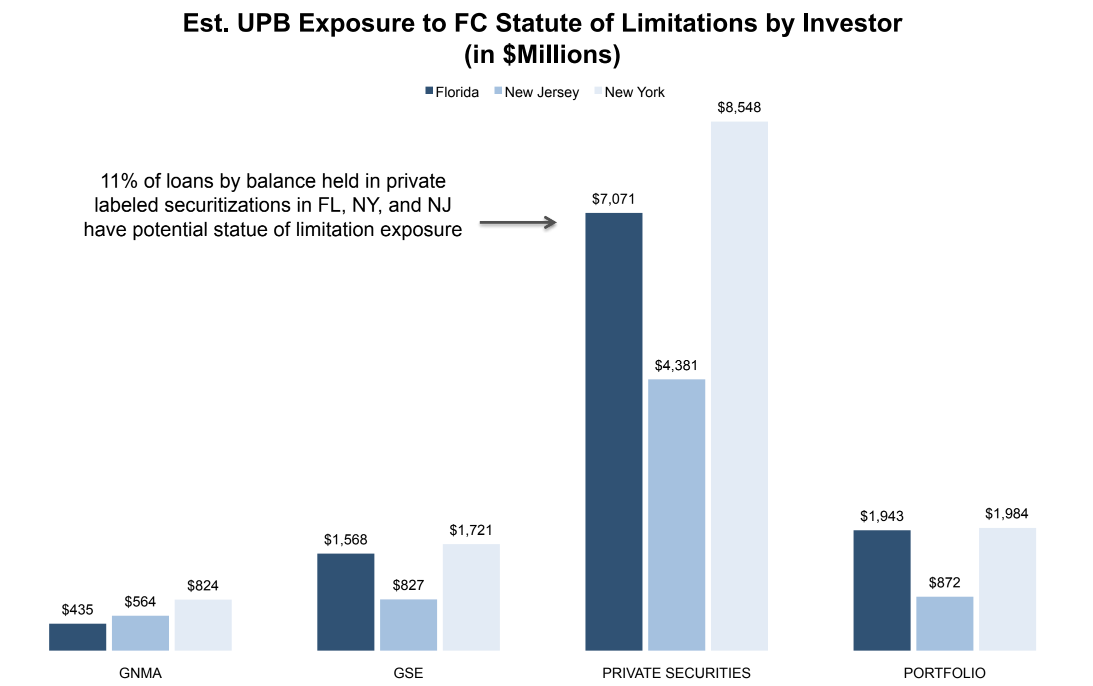
- In three states, Florida, New Jersey and New York, various courts are deliberating the specifics around how statute of limitations law is applied to foreclosure actions
- High-end estimates based solely on loan level delinquency timelines show that in those states up to 98,000 seriously delinquent loans may face some degree of statute of limitations exposure
- Depending upon the courts' decisions, statutes of limitations could apply to mortgages more than 5 years past due in Florida or more than 6 years past due in New Jersey and New York
- Potential exposure levels in New York and New Jersey have actually risen over the past 12 months – currently sitting at 35,300 and 22,000 respectively – due to limited resolution in severely delinquent loan populations in both states
- 37 percent of loans more than 5 years delinquent in Florida are not actively involved in foreclosure - potentially presenting additional risk dependent on court rulings
- In New York and New Jersey, 22 percent and 21 percent of loans more than 6 years delinquent are not in active foreclosure.

FORECLOSURE STATUTES OF LIMITATION EXPOSURE



- Looking at potential statute of limitations exposure by county, we see concentration in both Florida and New York
- The top two counties by potential exposure in Florida – Miami-Dade and Broward – make up more than a third of that state's severely delinquent (>5 years) cases
- In New York, the top four counties – Suffolk, Kings, Nassau and Queens – account for 60 percent of all severely delinquent (>6 years) cases
- In contrast, the situation is much more spread out in New Jersey

FORECLOSURE STATUTES OF LIMITATION EXPOSURE



**Potential exposure to statute of limitations depicted above is the unpaid balance on all active first lien mortgages >6 years past due in NY & NJ and >5 years past due in Florida. No concessions are made for when the debt was accelerated as part of the FC process. These figures are intended to be a high end estimate of the number of total mortgages that may be impacted by applicable statutes of limitations. These figures only represent unpaid balances and do not include any additional FC or carrying costs incurred by the servicer.*

» Here we look at the estimated unpaid principal balance (UPB) exposure of all mortgages over 6 years delinquent in New York and New Jersey and over 5 years delinquent in Florida

» Without taking into account additional carrying costs and/or fees incurred by mortgage servicers, Black Knight estimates the current potential UPB risk exposure in these three states at approximately $30 billion

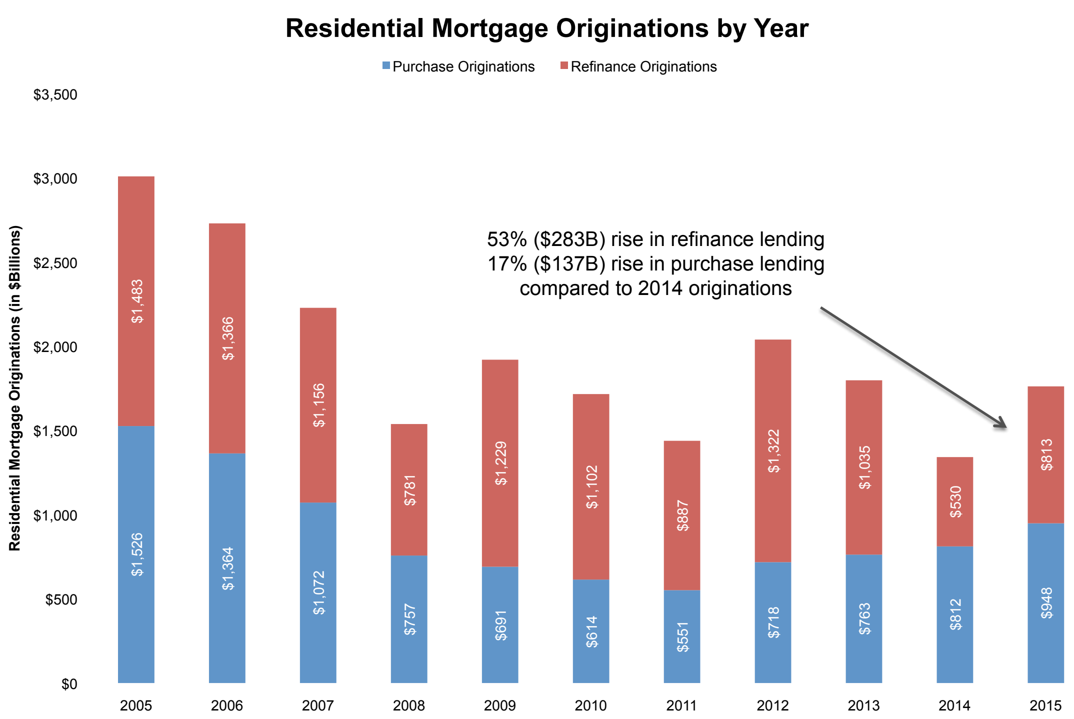
» Potential exposure is concentrated primarily among private-label securities

» Total UPB exposure by investor group: Private $20B; Portfolio $4.8B; GSE $4.1B; GNMA $1.8B

» Roughly $1 of every $10 of principal in private labeled securitizations in these three states is tied to a mortgage more than 5 years delinquent in Florida or more than 6 years delinquent in New York and New Jersey

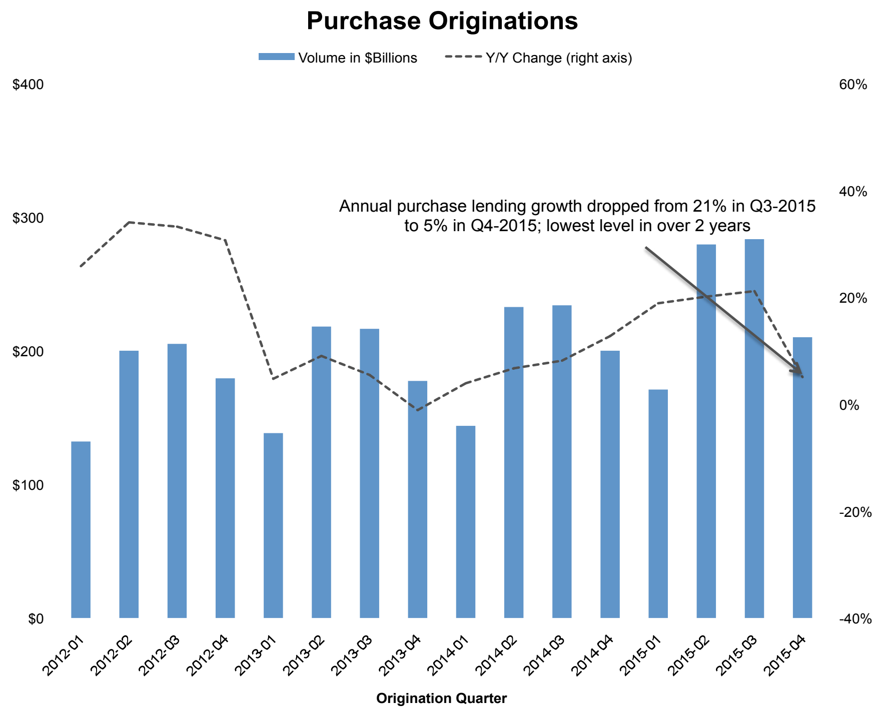
MORTGAGE ORIGINATION OVERVIEW

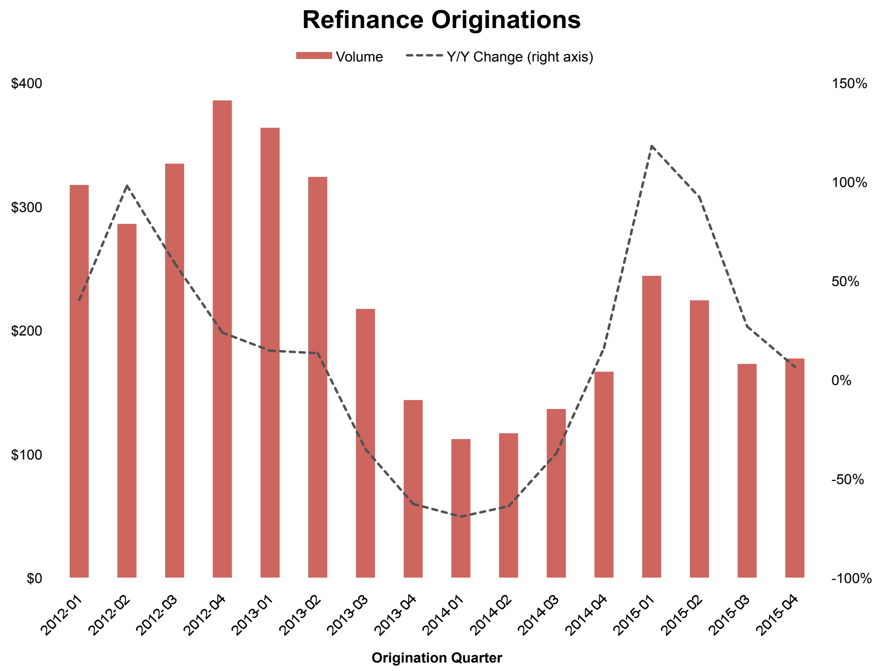
Here, we take an inside look at 2015's mortgage origination trends, with a particular focus on the deceleration seen in both purchase and refinance origination growth in Q4 2015. This information has been compiled from Black Knight's McDash loan-level mortgage performance database. You may click on each chart to see its contents in high-resolution.



- » The $1.76 trillion in residential mortgages originated in 2015 represented a 31 percent increase over 2014
- » This equated to a 17 percent ($137 billion) rise in purchase mortgage originations, the largest annual growth seen since 2012
- » At nearly $950 billion, purchase originations were their highest since 2007 – even with credit remaining tight throughout the year
- » Refinance originations were up 53 percent ($238 billion) over 2014, particularly in the early part of the year, with the resurgence of low rates

MORTGAGE ORIGINATION OVERVIEW

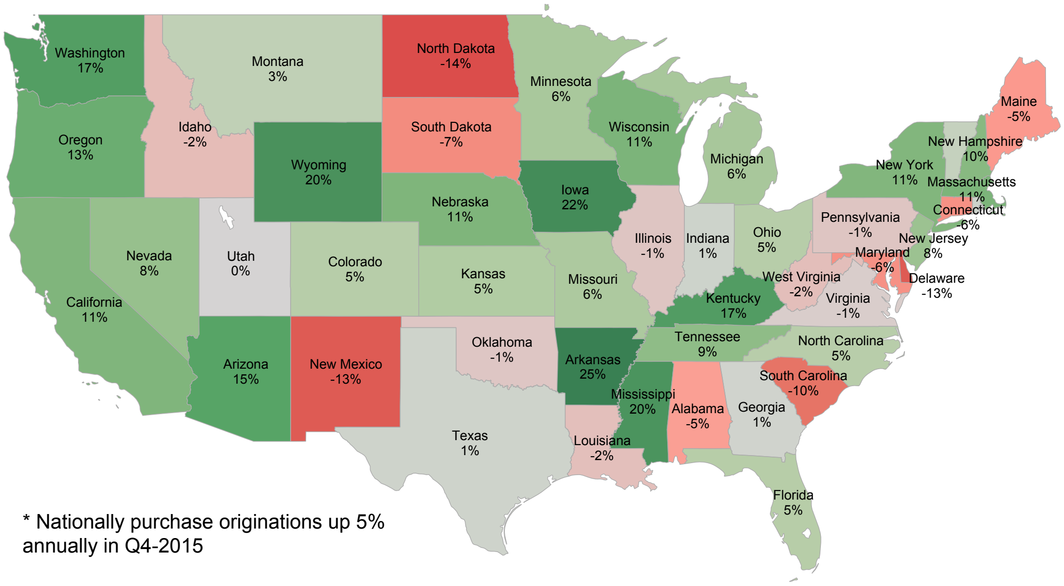




- A clear deceleration was seen in both purchase and refinance originations in Q4 2015
- Q2 and Q3 purchase volumes were the highest seen since 2007, and up 20 and 21 percent, respectively, on an annual basis; in contrast, by dollar amount, Q4 purchase volumes were only up 5 percent year-over-year, the lowest annual increase of any quarter in over two years
- Q3 to Q4 drops are not unexpected, but the 26 percent drop from Q3 to Q4 2015 was the largest of any year since 2008
- Refinance originations saw some cooling as well – these volumes are more heavily impacted by rate movement
- Early in 2015, refinance originations were up more than 100 percent on a year-over-year basis; they ended the year with just a 6 percent annual rise in Q4 2015
- Total originations cooled from being up 23 percent year-over-year in Q3 to only 6 percent in Q4

MORTGAGE ORIGINATION OVERVIEW

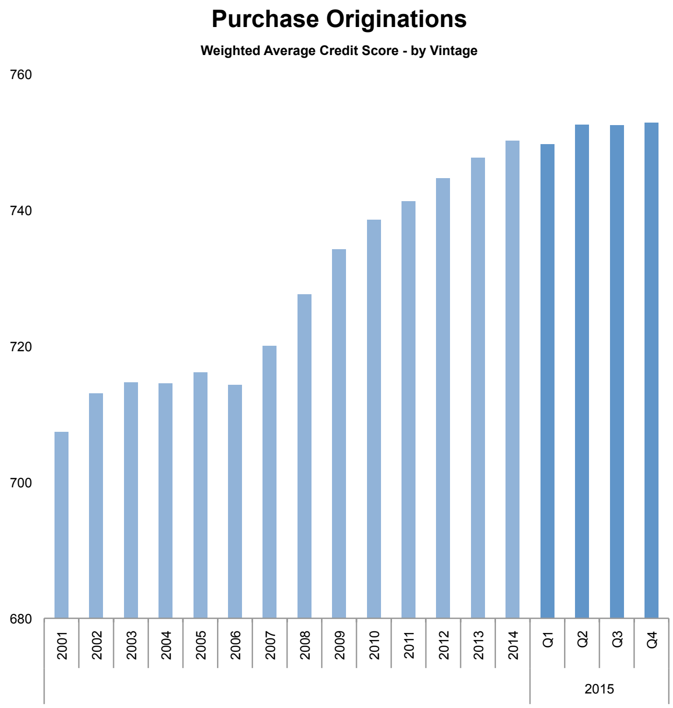
Annual Purchase Origination Growth by State in Q4-2015

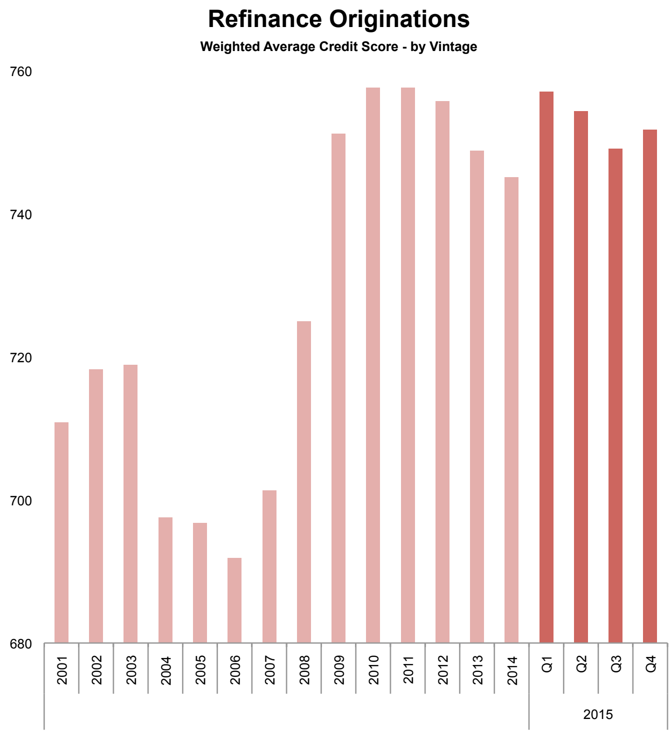


* Nationally purchase originations up 5% annually in Q4-2015

- As this map makes clear, there was a great deal of variance in purchase origination growth in Q4 2015
- As had been the case throughout 2015, the west coast continued to outperform the national average in Q4
- Nevada, while only up 8 percent in Q4, led the country with 35 percent growth for the full year
- Most oil states saw some slowing – North Dakota was down 14 percent from 2014, while Texas slowed to just 1 percent growth
- Wyoming stands out as the only oil and gas state to outperform the national average with 20 percent year-over-year growth in purchase originations
- Alaska, not pictured, was actually down 31 percent year-over-year for Q4 and down 2 percent for the full year
- Alaska and North Dakota were the only states to see drops in purchase originations for the full year

MORTGAGE ORIGINATION OVERVIEW





- The average credit score for purchase originations hit a record high – 753 – in Q4 2015
- On either ends of the spectrum, the average credit score for portfolio purchase lending remains above 770, while for FHA purchases, credit scores remain above 700
- The average credit score on GSE purchase has actually come down from its 2012 peak of 765 to 755 today
- The reduction in refinance credit scores is due more to a drop in high credit borrowers refinancing as rates rise, not to low credit borrowers entering the market
- This is illustrated best by Q1 2015 – when rates were at their lowest and volumes were at their peak, average credit scores were near all time highs; when rates climbed, higher credit borrowers exited the refinance market

APPENDIX

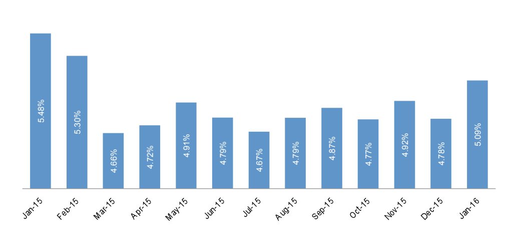
» January 2016 Data Summary

Summary Statistics

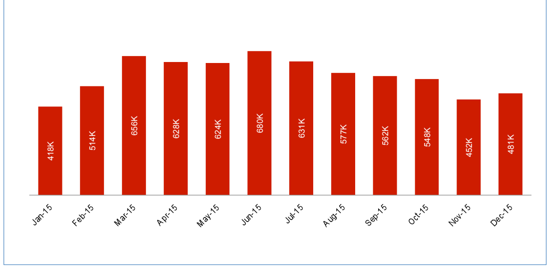
	Jan-16	Monthly Change	YTD Change	Yearly Change
Delinquencies	5.09%	6.62%	0.00%	-7.10%
Foreclosure	1.30%	-4.53%	0.00%	-25.69%
Foreclosure Starts	71,900	-7.94%	0.00%	-22.94%
Seriously Delinquent (90+) or in Foreclosure	2.95%	-0.65%	0.00%	-23.56%
New Originations (data as of Dec-15)	481K	6.4%	0.0%	-8.1%

	Jan-16	Dec-15	Nov-15	Oct-15	Sep-15	Aug-15	Jul-15	Jun-15	May-15	Apr-15	Mar-15	Feb-15	Jan-15
Delinquencies	5.09%	4.78%	4.92%	4.77%	4.87%	4.79%	4.67%	4.79%	4.91%	4.72%	4.66%	5.30%	5.48%
Foreclosure	1.30%	1.37%	1.38%	1.43%	1.46%	1.48%	1.52%	1.56%	1.59%	1.63%	1.68%	1.72%	1.76%
Foreclosure Starts	71,900	78,100	66,600	73,200	79,900	76,200	71,500	78,100	77,400	70,400	92,200	77,200	93,300
Seriously Delinquent (90+) or in Foreclosure	2.95%	2.97%	3.02%	3.05%	3.08%	3.12%	3.18%	3.25%	3.33%	3.43%	3.51%	3.74%	3.86%
New Originations		481K	452K	548K	562K	577K	631K	680K	624K	628K	656K	514K	418K

Total Delinquencies



New Originations



» 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%
2/28/15	50,413,639	1,225,175	427,079	1,018,527	866,417	3,537,198	77,208	521	1,030	117.6%
3/31/15	50,409,192	1,040,372	382,697	925,888	845,643	3,194,600	92,164	534	1,029	109.5%
4/30/15	50,423,510	1,090,259	381,705	909,381	820,030	3,201,375	70,415	536	1,040	110.9%
5/31/15	50,438,008	1,199,089	399,359	879,103	802,557	3,280,108	77,355	526	1,046	109.5%
6/30/15	50,459,394	1,156,087	406,533	852,781	788,595	3,203,996	78,149	526	1,043	108.1%
7/31/15	50,442,127	1,111,981	401,786	841,887	764,415	3,120,070	71,467	531	1,056	110.1%
8/31/15	50,426,730	1,168,234	419,810	825,253	747,930	3,161,228	76,180	519	1,061	110.3%
9/30/15	50,478,041	1,210,590	429,422	816,725	737,254	3,193,993	79,899	510	1,056	110.8%
10/31/15	50,585,778	1,173,455	421,449	819,677	721,435	3,136,017	73,218	514	1,057	113.6%
11/30/15	50,576,509	1,233,230	430,248	827,338	697,944	3,188,761	66,629	502	1,061	118.5%
12/31/15	50,406,434	1,175,869	424,724	807,656	688,672	3,096,921	78,088	491	1,060	117.3%
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%

APPENDIX

State	Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National	5.1%	1.3%	6.4%	-11.7%
MS	11.6%	1.3%	13.0%	-7.4%
LA	9.0%	1.6%	10.6%	-2.8%
NJ	5.8%	4.1%	9.9%	-15.0%
AL	8.4%	0.9%	9.2%	-5.8%
WV	8.1%	1.0%	9.2%	-0.2%
NY	5.5%	3.5%	9.1%	-14.5%
ME	6.4%	2.6%	9.0%	-12.4%
RI	6.8%	2.1%	8.8%	-15.9%
IN	6.7%	1.5%	8.2%	-8.4%
PA	6.4%	1.8%	8.2%	-9.5%
DE	6.0%	2.1%	8.2%	-6.4%
AR	6.9%	1.2%	8.1%	-9.7%
OK	6.2%	1.9%	8.0%	-0.4%
FL	5.4%	2.4%	7.8%	-23.4%
MD	6.2%	1.5%	7.7%	-10.4%
TN	7.1%	0.6%	7.7%	-9.7%
SC	6.2%	1.5%	7.6%	-9.0%

State	Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National	5.1%	1.3%	6.4%	-11.7%
GA	6.9%	0.7%	7.6%	-7.7%
CT	5.6%	2.0%	7.6%	-13.4%
OH	5.8%	1.5%	7.3%	-10.6%
NM	4.9%	2.3%	7.2%	-6.5%
HI	3.8%	3.3%	7.1%	-14.1%
TX	6.2%	0.7%	6.9%	-3.0%
MA	5.3%	1.5%	6.8%	-15.9%
NC	5.8%	0.8%	6.6%	-9.1%
KY	5.2%	1.3%	6.6%	-8.8%
IL	4.9%	1.5%	6.4%	-15.5%
NV	4.4%	1.8%	6.2%	-19.1%
KS	5.1%	1.0%	6.2%	-6.7%
VT	4.4%	1.8%	6.1%	-13.7%
MO	5.4%	0.7%	6.1%	-9.2%
DC	3.8%	2.1%	5.9%	-10.1%
WI	4.5%	1.1%	5.6%	-12.2%
MI	5.0%	0.4%	5.4%	-11.8%

State	Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National	5.1%	1.3%	6.4%	-11.7%
NH	4.6%	0.8%	5.4%	-18.0%
IA	4.1%	1.1%	5.2%	-8.8%
VA	4.6%	0.5%	5.1%	-5.8%
NE	4.1%	0.5%	4.6%	-11.4%
WY	3.7%	0.8%	4.5%	2.2%
UT	3.9%	0.6%	4.5%	-9.4%
WA	3.0%	1.2%	4.2%	-18.4%
AZ	3.7%	0.5%	4.2%	-6.8%
OR	2.8%	1.3%	4.1%	-18.8%
CA	3.5%	0.5%	4.0%	-7.5%
ID	3.0%	0.9%	3.8%	-12.6%
SD	2.9%	0.7%	3.5%	-2.4%
MT	2.8%	0.7%	3.5%	-5.1%
MN	2.9%	0.4%	3.3%	-11.9%
AK	2.8%	0.4%	3.2%	-7.2%
CO	2.7%	0.5%	3.2%	-12.0%
ND	1.9%	0.5%	2.4%	2.1%

*** - Indicates Judicial State**

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

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