JUNE 2017 **REPORT**

MORTGAGE MONITOR

BLACK KNIGHT®
FINANCIAL SERVICES
DATA & ANALYTICS

CONTENTS

1 | JUNE FIRST LOOK RELEASE

2 | MORTGAGE PERFORMANCE & HOME PRICE TRENDS

3 | Q2 2017 FORECLOSURE UPDATE

4 | HIGH LTV PURCHASE LENDING

5 | APPENDIX

6 | DISCLOSURES

JUNE 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 with 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. Next, we provide an update on the latest mortgage performance and home price trends. We look at recent rises in prepayments as interest rates have softened over the last few months, and check in on national home price trends and some of the more impressive gains seen at the state level. We also take stock of current state of mortgage default activity.

Next, we check in on the foreclosure landscape as of Q2 2017. Years of continuous improvement have changed the situation drastically, but the market has yet to return to "normal." We examine foreclosure start and sale activity so far in 2017, with a focus on aged foreclosure inventory and national recovery timelines. Finally, in light of much industry commentary and speculation on the re-emergence of purchase loans with loan-to-value (LTV) ratios of 97 percent or higher, we look at low down payment purchase lending trends. In the process, we share some early insight into the performance of such low down payment products.

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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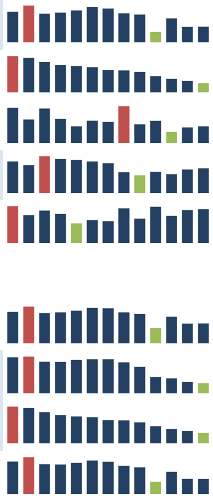
JUNE FIRST LOOK RELEASE

Here we have an overview of findings from Black Knight's 'First Look' at June 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.

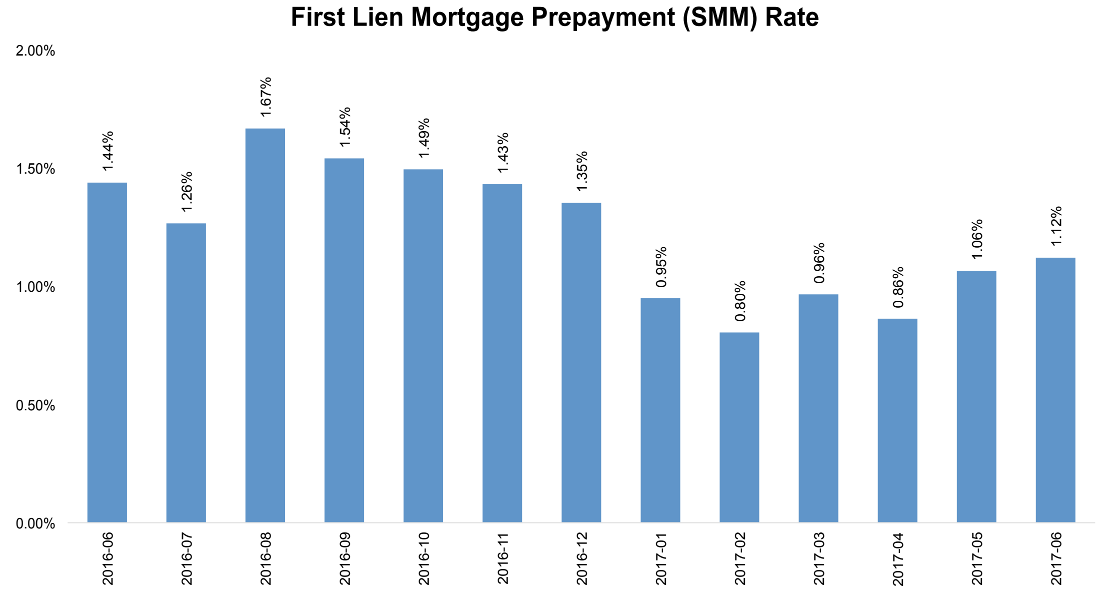
	Jun-17	Month-over-month change	Year-over-year change	12 Month Trend
Total U.S. loan delinquency rate (loans 30 or more days past due, but not in foreclosure):	3.80%	↑ 0.12%	↓ -11.84%	
Total U.S. foreclosure pre-sale inventory rate:	0.81%	↓ -2.71%	↓ -27.01%	
Total U.S. foreclosure starts:	56,500	↑ 1.25%	↓ -18.47%	
Monthly Prepayment Rate (SMM):	1.12%	↑ 5.26%	↓ -22.06%	
Foreclosure Sales as % of 90+:	2.20%	↑ 1.57%	↓ -4.58%	
Number of properties that are 30 or more days past due, but not in foreclosure:	1,932,000	↑ 5,000	↓ -246,000	
Number of properties that are 90 or more days past due, but not in foreclosure:	555,000	↓ -7,000	↓ -137,000	
Number of properties in foreclosure pre-sale inventory:	410,000	↓ -11,000	↓ -148,000	
Number of properties that are 30 or more days past due or in foreclosure:	2,342,000	↓ -6,000	↓ -394,000	

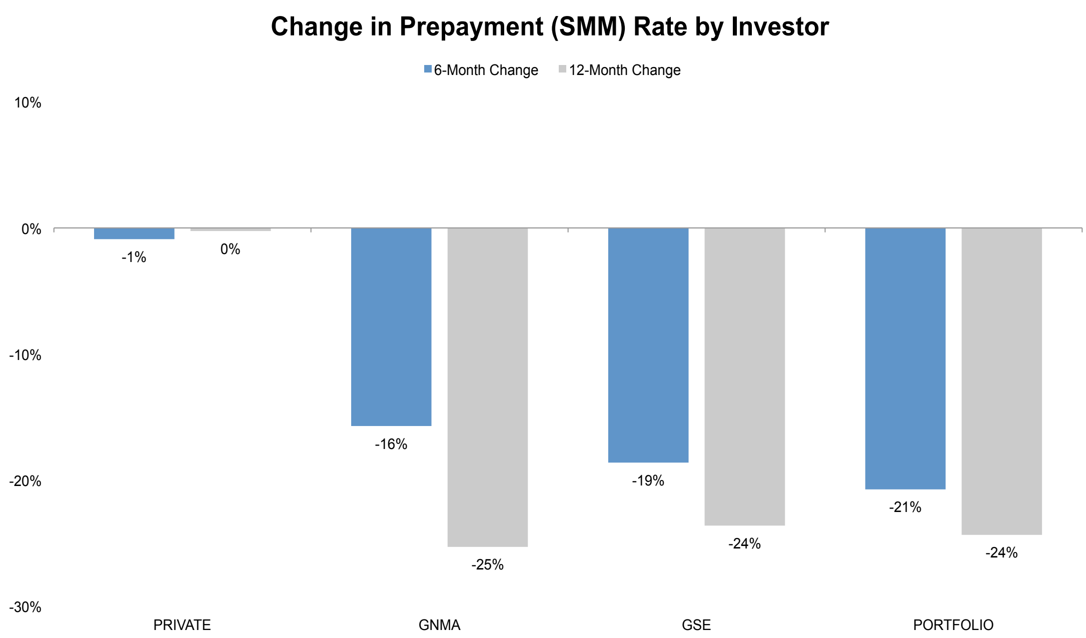


- Despite being a month when delinquencies typically increase by about 2.5 percent, the national delinquency rate held steady at 3.8 percent in June
- Early-stage delinquencies (30 days past due) rose slightly, while the inventories of serious delinquencies (90+ days past due) and active foreclosures continued their steady decline
- Overall non-current inventory has decreased by nearly 390K loans over the first half of 2017, with a 200K loan reduction in the inventory of loans either seriously delinquent or in foreclosure
- At 965K, the inventory of loans either seriously delinquent or in active foreclosure fell below 1M last month for the first time since April 2007
- Prepayment activity rose by another five percent in June as mortgage interest rates eased
- The inventory of loans in active foreclosure has fallen in each of the last 29 months, with only one monthly increase in the past 5 years

JUNE MARKET UPDATES

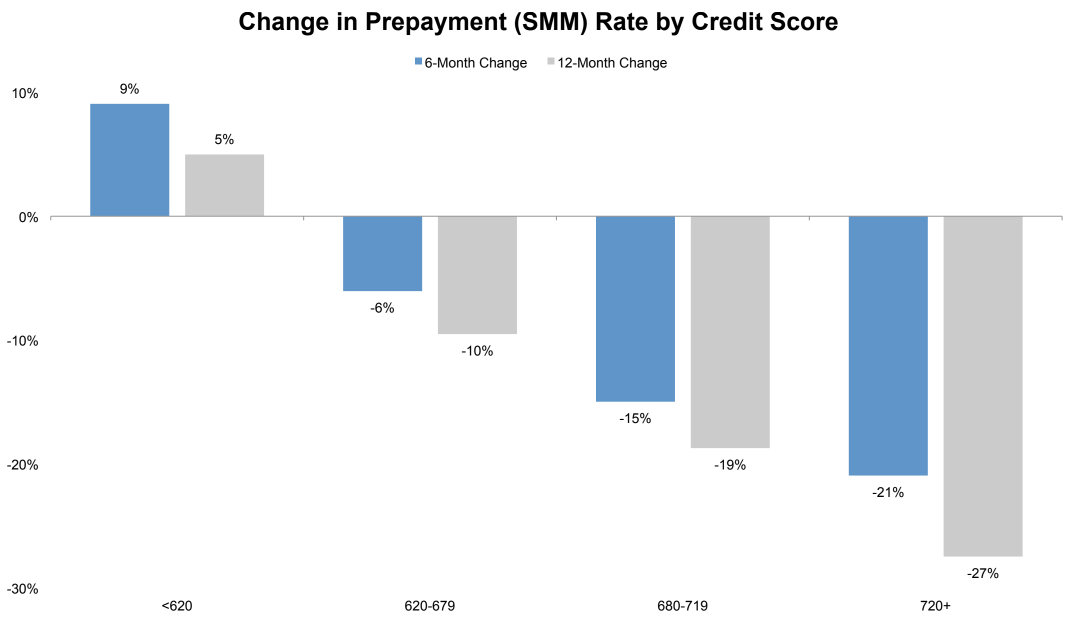
Here, we take a closer look at recent rises in prepayment activity, home price trends and default activity. This information has been compiled from Black Knight's McDash loan-level mortgage performance database. You may click on each chart to see its contents in high-resolution.

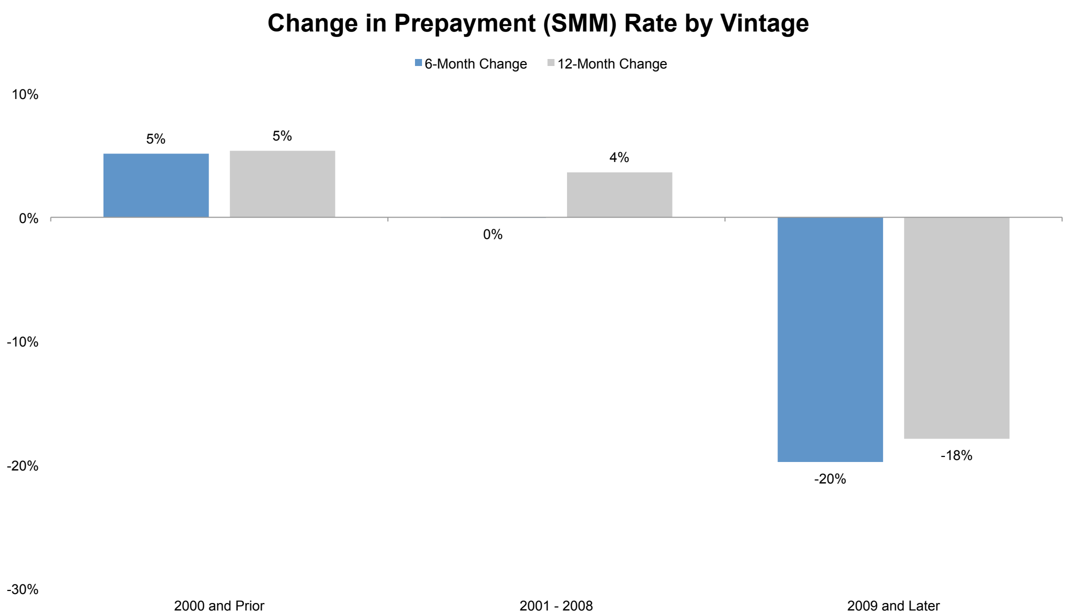




- Increases in prepayment activity have been observed in each of the last two months
- Though prepays are now at a calendar year high, they remain down 17 percent YTD, 22 percent YoY, and 33 percent off the August 2016 peak, when the prevailing 30-year mortgage rate was 3.44 percent
- As was reported in the May 2017 Mortgage Monitor, the population of potential refinance candidates hit a calendar year high of 4.4M in late May and continued to tick upwards as rates eased through June
- While prepays are down as a whole, when broken out by investor, credit score and vintage, some segments of the market are actually seeing 6-month and 12-month increases in prepayment activity

JUNE MARKET UPDATES

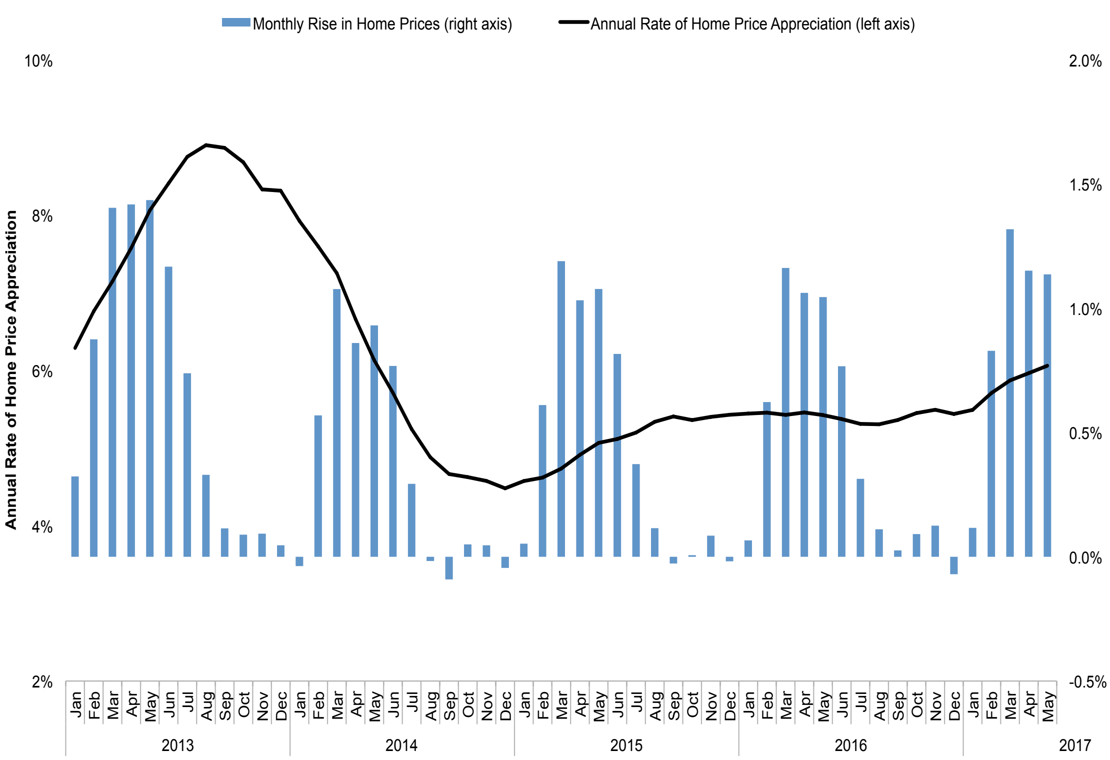




- » Prepayment activity is up among the lower credit score (<620) borrower segment, which saw prepays increase by nine percent over the past six months and five percent over the last year
- » Likewise, prepayments have increased among older vintages with 2001-2008 vintages seeing a four percent increase over the last year, and 2000 and earlier vintages are up five percent from one year ago
- » Prepays on fixed loans (not pictured) are down 26 percent YoY and 21 percent YTD, while prepayments on adjustable rate mortgages (ARMs) are level from the start of 2017 and only three percent off last year's levels

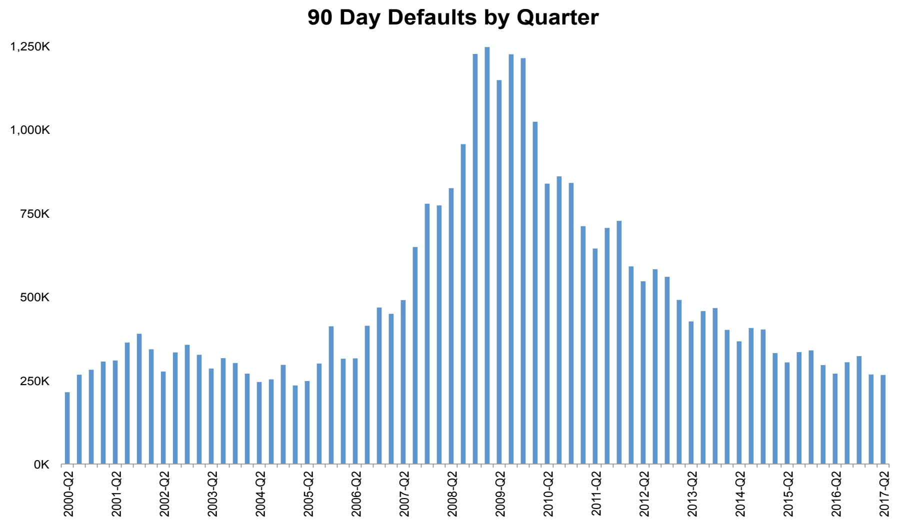
JUNE MARKET UPDATES

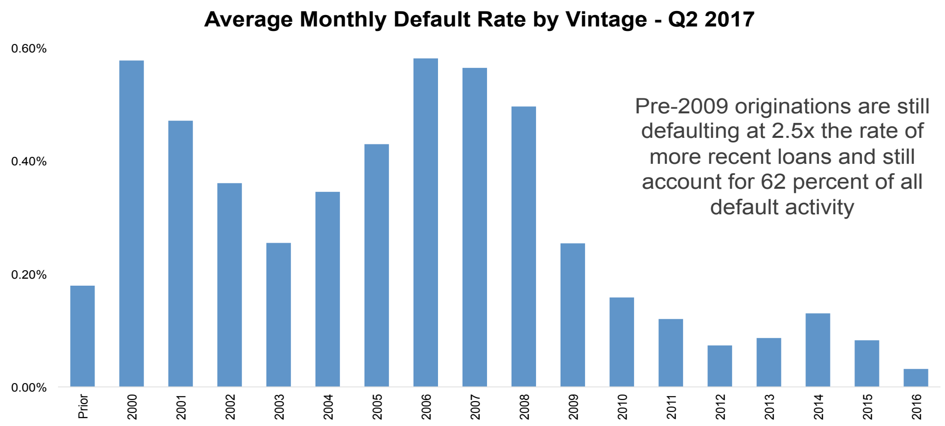
Black Knight Home Price Index

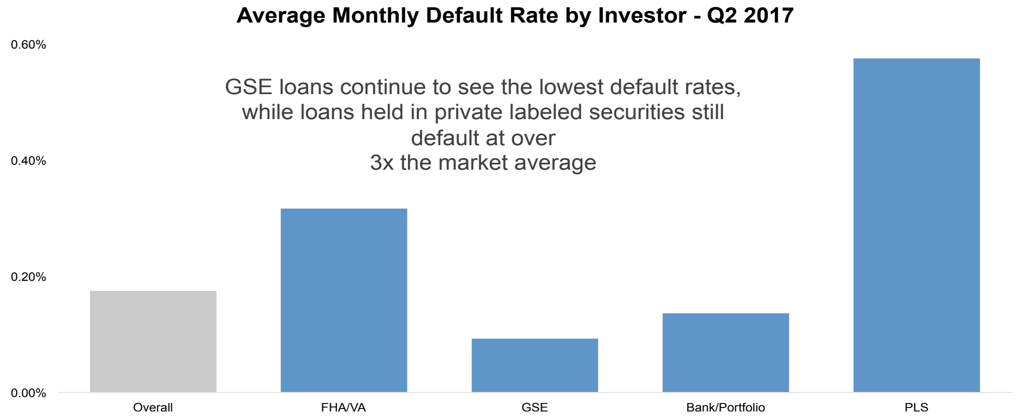


- May was another strong month for home prices nationwide, with the median home increasing in value by 1.14 percent
- The average home price has risen by 4.6 percent over the first five months of the year, the fourth fastest start to any year since Black Knight began tracking home prices in the early 1990s
- The only years with faster appreciation were 2013, coming out of the recession, and 2004/2005, heading into the 2006 home price peak
- The average home price is now up 6.1 percent from last year, marking the highest rate of annual appreciation seen since mid-2014
- At the state level, Washington and Oregon continue to lead the nation in annual home price appreciation (HPA) rate at 12.4 and 9.9 percent, respectively
- Nevada (9.6 percent HPA), Utah (9.2 percent HPA) and Colorado (8.6 percent HPA) round out the top five fastest appreciating states
- Despite its rank in HPA rate, Nevada home prices are still 25 percent below 2006 levels, while Colorado, though falling out of the top three, has seen home prices climb 39 percent above 2006 levels, the highest of any state
- In Washington, the average home has increased in value by nearly nine percent (approximately $30,500) since the start of the year, the most of any state
- Only West Virginia and Alabama have seen home prices decline over the past 12 months

JUNE MARKET UPDATES





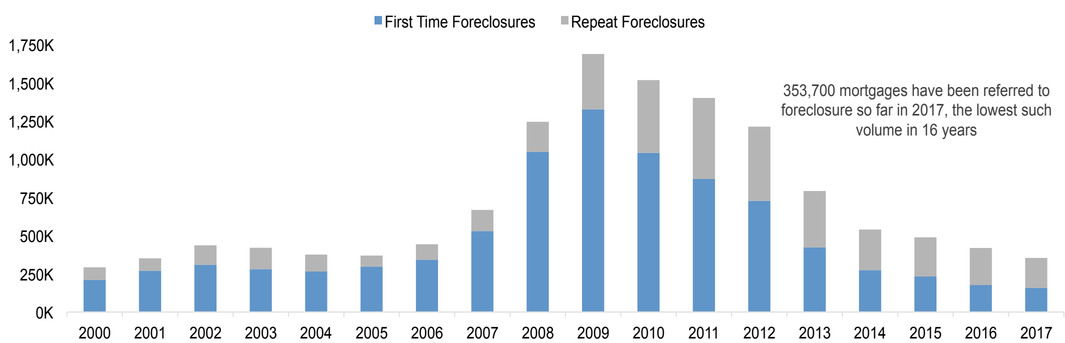


- Q2 2017 saw approximately 266K defaults, the lowest of any quarter since 2005
- On average, one in 573 mortgages defaulted each month, well below 2000-2006 averages
- Market normalization has slowed the pace of improvement, with the rate of reduction in new defaults falling from 11 percent one year ago to just one percent as of Q2 2017
- Over 60 percent of new defaults are coming from pre-2009 originations, which continue to default at over 2.5 times the national average
- With an above average share of both purchase originations and ARMs due to relatively higher interest rates at the time, 2014 vintage loans are seeing greater than average default rates among post-recession vintages
- New defaults among the 2000 vintage rival those of mortgages originated during the bubble era of 2006 and 2007, the remnants of a period of higher risk lending around that time
- Private label security (PLS) loans continue to default at over 3x the market average despite the majority of these loans having 10 or more years of seasoning
- The monthly default rate on GSE mortgages has also increased slightly over the past 12 months

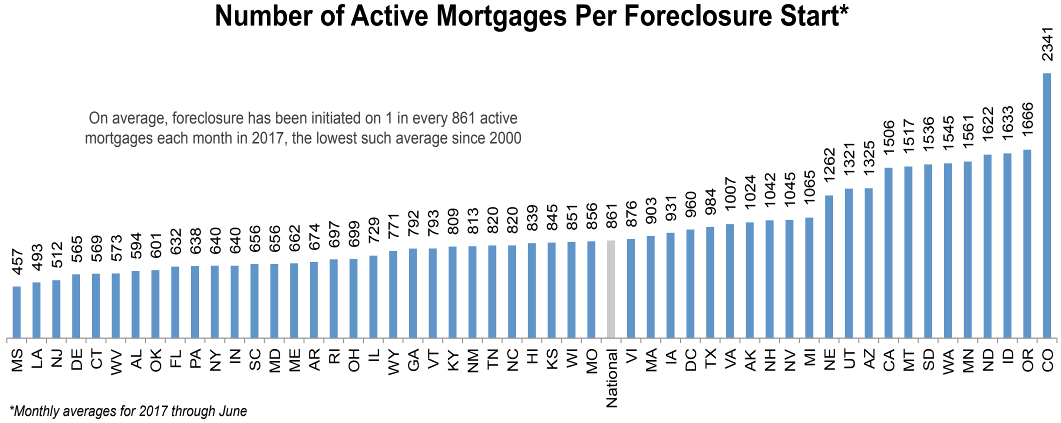
Q2 2017 FORECLOSURE UPDATE

Here, we undertake a review of 2017's foreclosure start and sale activity. In particular, we focus on the aged foreclosure inventory and national recovery timelines. 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.

Foreclosure Start Activity (First 6 Months of Each Year)



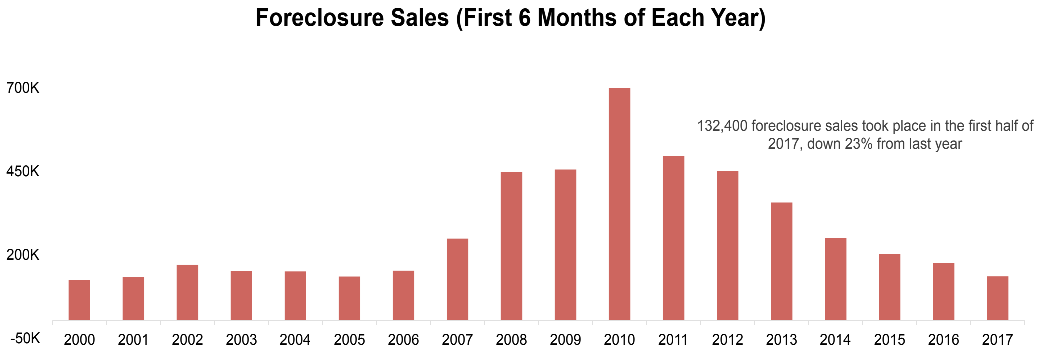
Number of Active Mortgages Per Foreclosure Start*

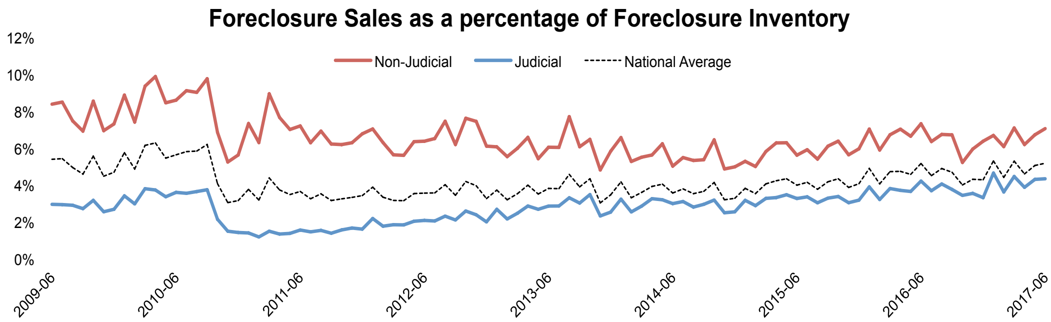


*Monthly averages for 2017 through June

- Just 354K foreclosures have been initiated so far in 2017, the lowest volume to start any year since 2001
- Approximately 158K (45 percent) were first time foreclosures; this is the lowest volume of first time foreclosure starts Black Knight has observed on record and 40 percent below long term, pre-crisis norms
- First time starts are down 11 percent from last year while repeat foreclosures are down 20 percent; overall foreclosure starts are down 16 percent
- The only states to not see year-over-year declines in foreclosure start activity were all oil and gas states: Alaska, North Dakota, Wyoming and Louisiana
- Washington and Nevada saw the greatest declines, with both down 37 percent from last year
- Mississippi saw the greatest foreclosure starts per capita, with one of every 457 mortgages referred to foreclosure per month while Colorado was lowest (1/2,341 per month)
- Nationally, the foreclosure start rate averaged 0.12 percent (1/861 per month) over the first six months of the year
- Judicial states continue to see higher foreclosure start rates (1/660 per month) than non-judicial states (1/1100 per month)

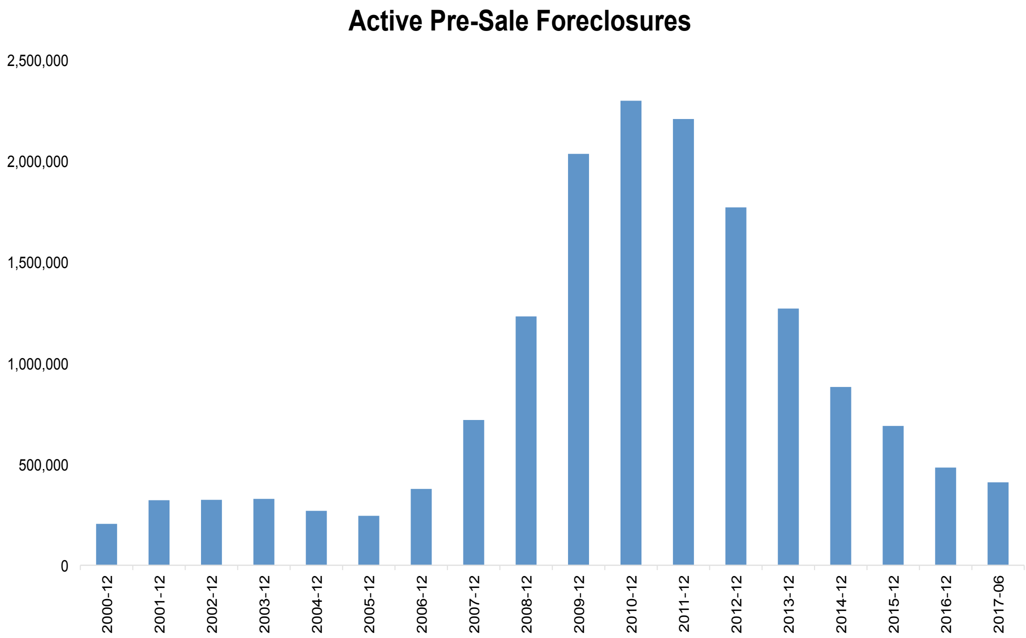
Q2 2017 FORECLOSURE UPDATE

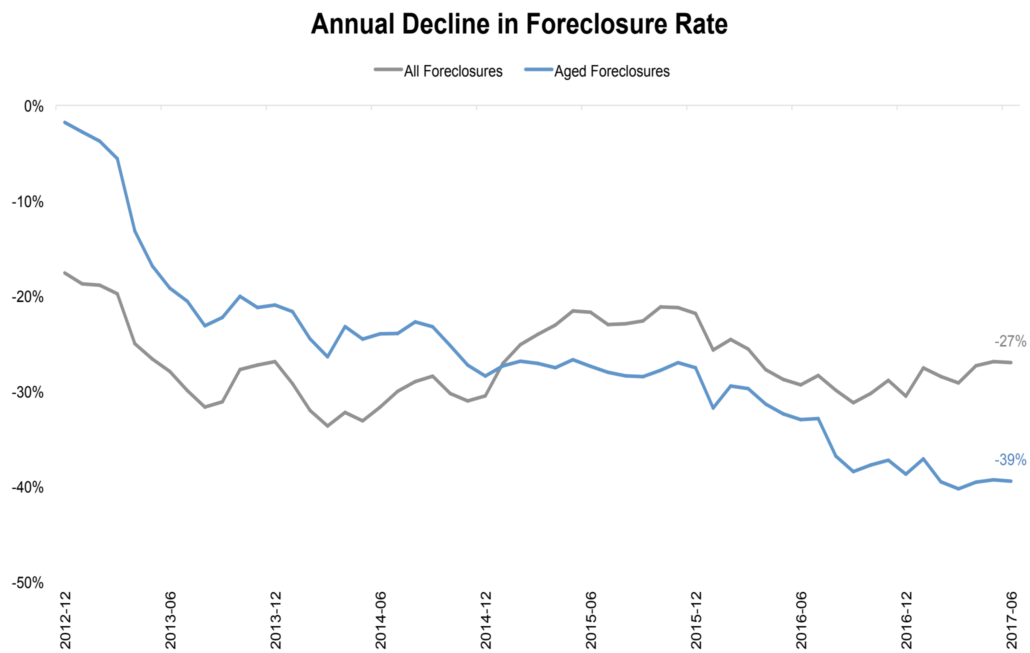




- 132,400 foreclosure sales (completions) have occurred so far in 2017, a 23 percent year-over-year decline, and the lowest volume to start any year since 2005
- Overall, foreclosure sales volumes are below pre-crisis averages
- Florida led all states (12K foreclosure sales year-to-date), followed by New Jersey (10,500)
- The share of active foreclosures going to sale has risen to approximately 5 percent being completed each month, the highest completion rate seen since 2010
- New York and the District of Columbia have the lowest foreclosure completion rate to date in 2017, with less than two percent of active foreclosure inventory going to sale each month
- On the other end of the spectrum, foreclosures are completed on nearly 15 percent of Michigan's active foreclosure inventory each month, the most of any state

Q2 2017 FORECLOSURE UPDATE

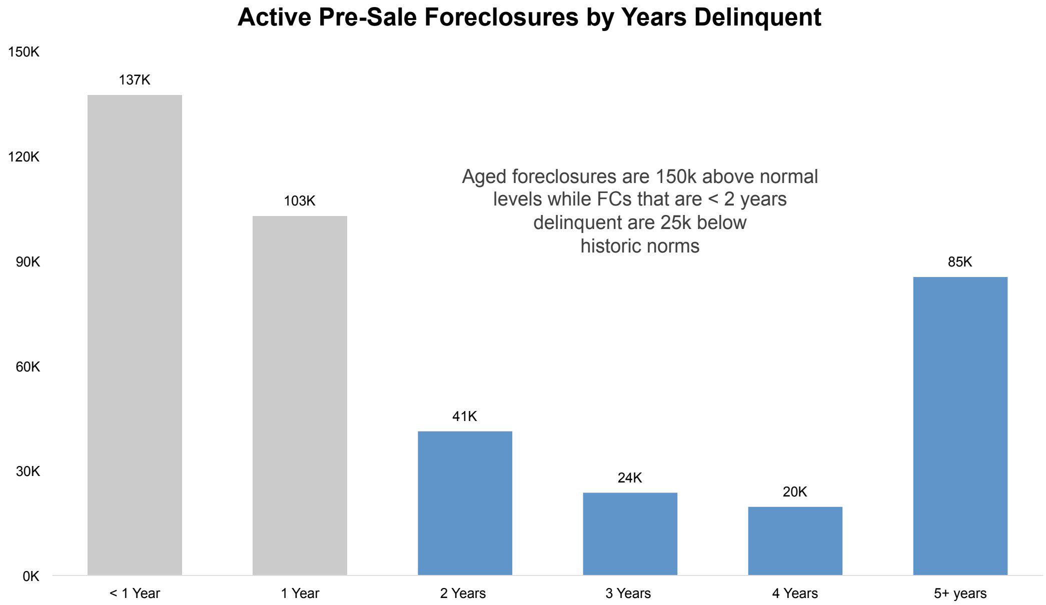


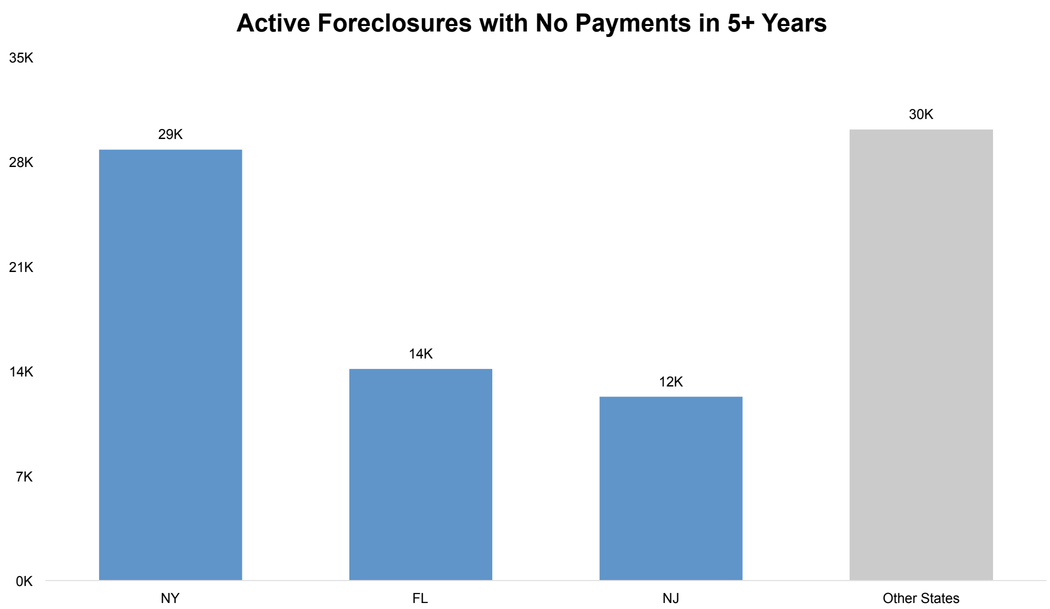


Aged foreclosures for the purpose of the analysis above are any active foreclosures where the borrower is two or more years past due on their mortgage

- June marked 29 consecutive monthly declines in foreclosure inventory, with only one monthly increase in the past five years
- The inventory of loans in active foreclosure has declined to 410,000
- Still, active foreclosure inventory remains 44 percent above normal levels
- While slowing from the high seen in September 2016 (a 31 percent annual decline), the national foreclosure rate has fallen by 27 percent over the past year, on par with the three-year average
- It should be noted that despite volumes nearing “normal” levels, strong reductions continue on an annual basis due to both increased foreclosure completions and very low levels of new defaults

Q2 2017 FORECLOSURE UPDATE

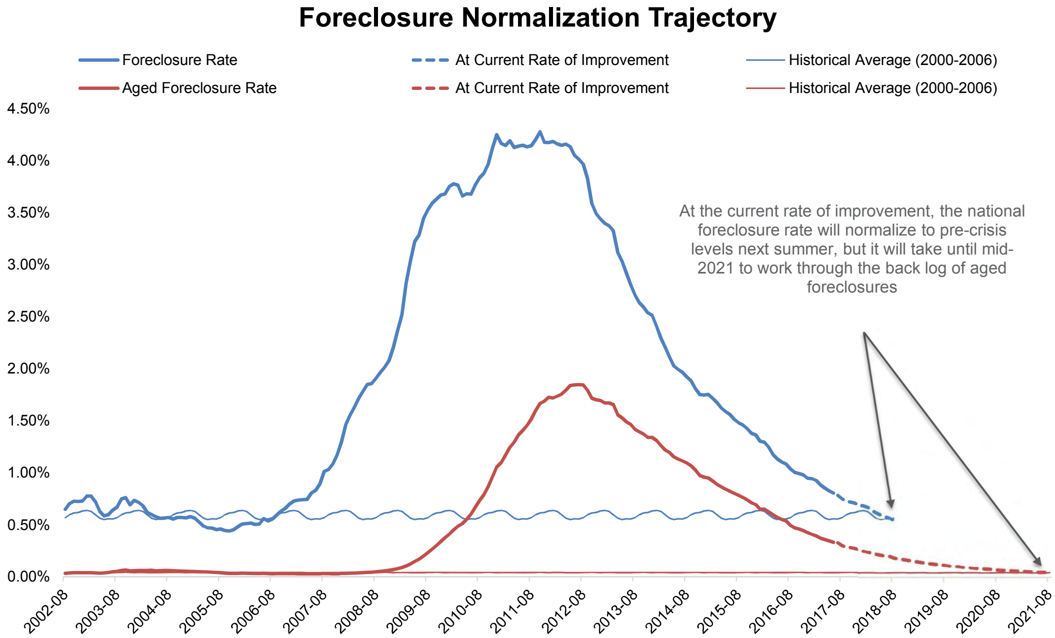




Aged foreclosures for the purpose of the analysis above are any active foreclosures where the borrower is two or more years past due on their mortgage

- There are approximately 170K active foreclosures that are over two years delinquent; 85k of those haven't had a payment made in more than five years
- Such aged inventory (two or more years delinquent) account for 40 percent of all active foreclosures today
- Historically, aged foreclosures have accounted for just seven percent of total active inventory, meaning there are approximately 150k more today than "normal"
- In contrast, early stage foreclosures (less than two years past due) are actually 25K below historic norms
- New York, Florida and New Jersey account for nearly two thirds of all active foreclosures five or more years past due
- In New York, borrowers more than five years past due make up 48 percent (29K) of active foreclosure cases
- One out of every 42 New York mortgages remains in foreclosure, with one in every 57 in active foreclosure and two or more years past due

Q2 2017 FORECLOSURE UPDATE

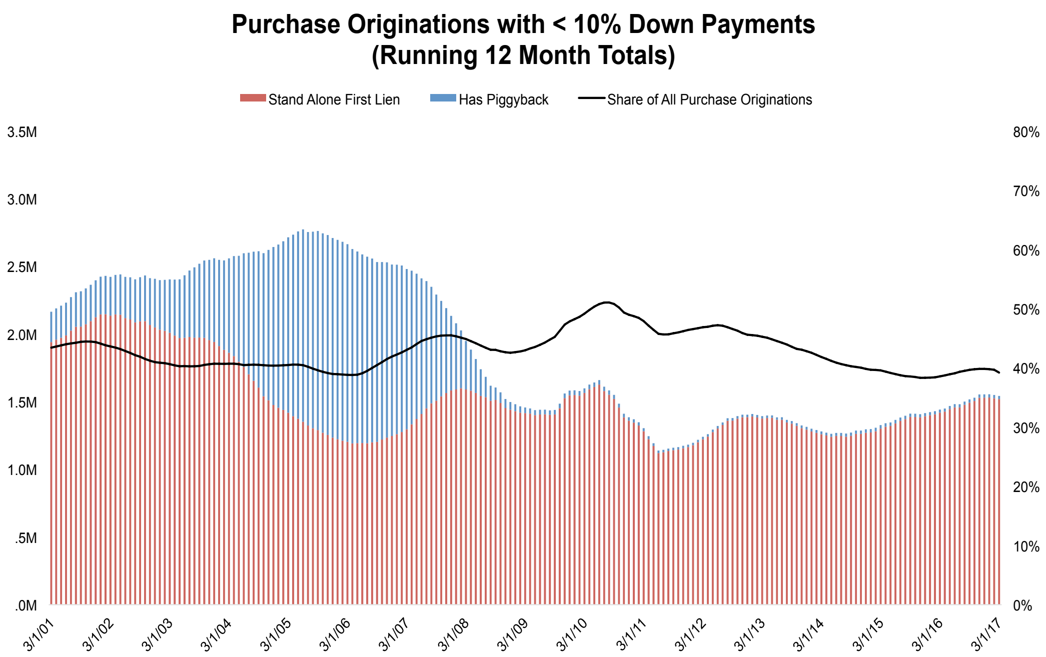


Aged foreclosures for the purpose of the analysis above are any active foreclosures where the borrower is two or more years past due on their mortgage

- At the current rate of improvement, the foreclosure rate will fall to pre-crisis (2000-2006) levels in the summer of 2018 – hitting the lowest level since the turn of the century by mid-2019
- However, based on current improvement rates, even when foreclosure volumes normalize there will still be over 70K excess aged foreclosures
- Though the pristine nature of recent originations will have reduced both inflow and overall volumes, it will be this excess backlog keeping foreclosure volumes near historic norms
- It will take an additional three years (mid-2021) for that backlog to normalize at the national level, though some states will still be dealing with residual foreclosures from the crisis years
- Returning to New York, at the current rate of recovery the foreclosure rate won't normalize until 2021, and it will be 2025 before the backlog of aged foreclosures works its way through the pipeline
- New York is not an isolated case: the northeastern U.S. in general will continue to feel the burden of excess foreclosure cases long after the nation as a whole has normalized

HIGH LTV PURCHASE LENDING

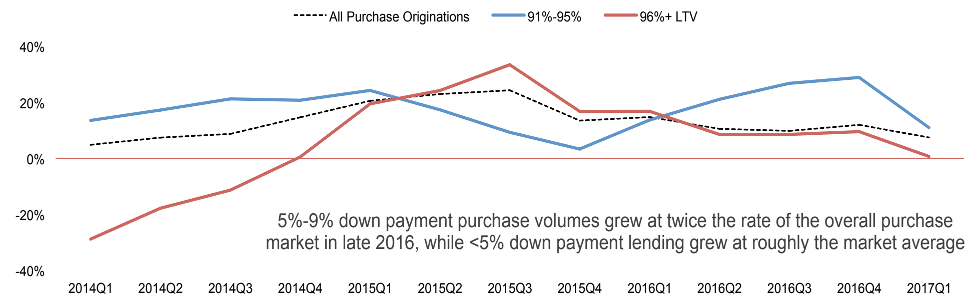
Here, we look at high loan-to-value (LTV) ratio (97 percent or higher) purchase lending trends, gaining some early insight into the performance of such low down payment products. This information has been compiled from Black Knight's McDash loan-level mortgage performance database. You may click on each chart to see its contents in high-resolution.



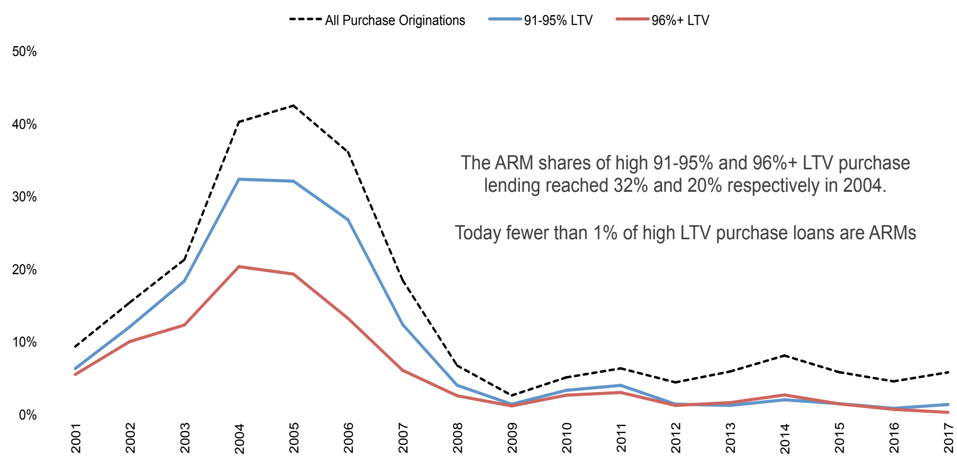
- Over the past 12 months, 1.5M borrowers have purchased a home by putting down less than 10 percent, which is close to a seven-year high in low down payment purchase volumes
- The increase is primarily a function of the overall growth in purchase lending, but, after nearly four consecutive years of declines, low down payment loans have ticked upwards in market share over the past 18 months
- Looking back historically, we see that half of all low down payment lending (less than 10 percent down) in 2005-2006 involved piggy-back second liens rather than a single high LTV first lien mortgage
- The low down payment market share actually rose through 2010 as the GSEs and portfolio lenders pulled back, the PLS market dried up, and FHA lending buoyed the purchase market as a whole
- The FHA/VA share of purchase lending rose from less than 10 percent during 2005-2006 to nearly 50 percent in 2010
- As the market normalized and other lenders returned, the share of low-down payment lending declined consistent with a drop in the FHA/VA share of the purchase market

HIGH LTV PURCHASE LENDING

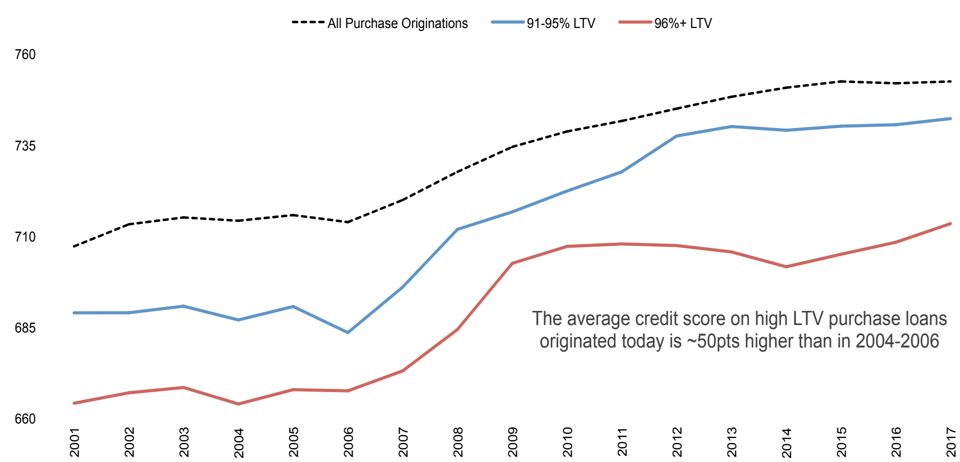
Annual Rate of Purchase Origination Growth



ARM Share of Purchase Originations



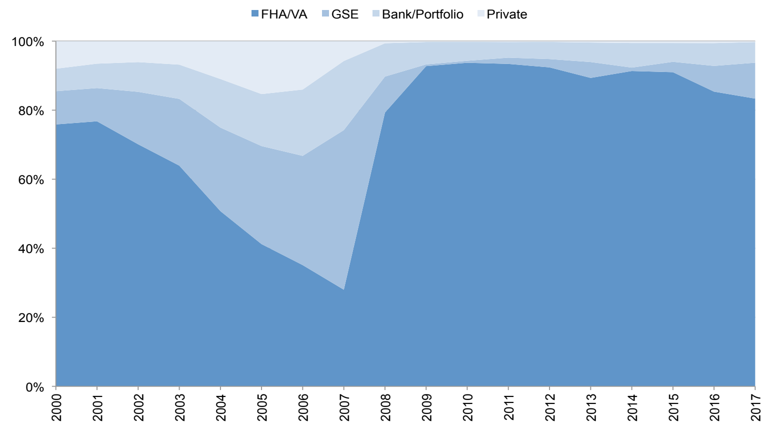
Average Credit Score of Purchase Originations



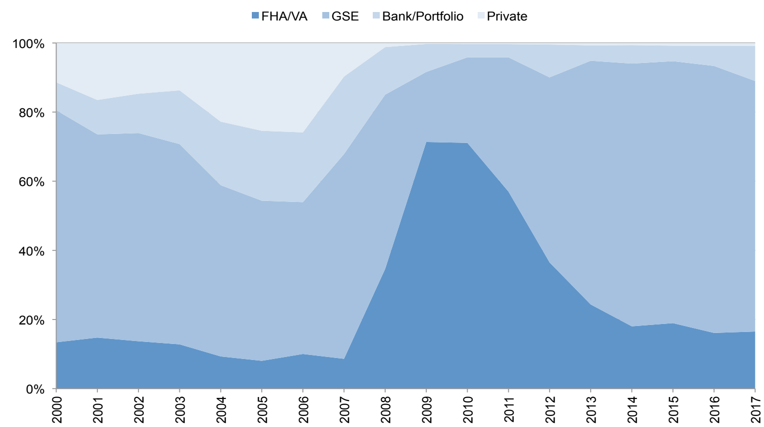
- » Growth in sub-five-percent-down lending remains basically on par with the overall purchase market, while above average growth is being seen in more "moderate" five to nine percent down payment lending, driven by an increased GSE presence
- » It is extremely important to note the vast difference in non-LTV related risk factors of today's high LTV purchase mortgages as compared to pre-crisis years
- » In 2004, for example, nearly one third of 91-95 percent LTV loans were ARMs, with the ARM share remaining significantly elevated from 2003 through 2007
- » Even within the 96 percent and higher LTV cohort, one of every five purchase loans originated in 2004 was an ARM
- » Today, ARMs are rare overall, but almost nonexistent in the high LTV space where fewer than one percent of purchase loans are ARMs
- » Perhaps the most telling difference between pre-recession high LTV loans and todays originations is borrowers' credit worthiness
- » Despite a large share of first-time homebuyers, on average, high LTV borrowers today have credit scores approximately 50 points higher than those approved for such purchase loans from 2004-2007

HIGH LTV PURCHASE LENDING

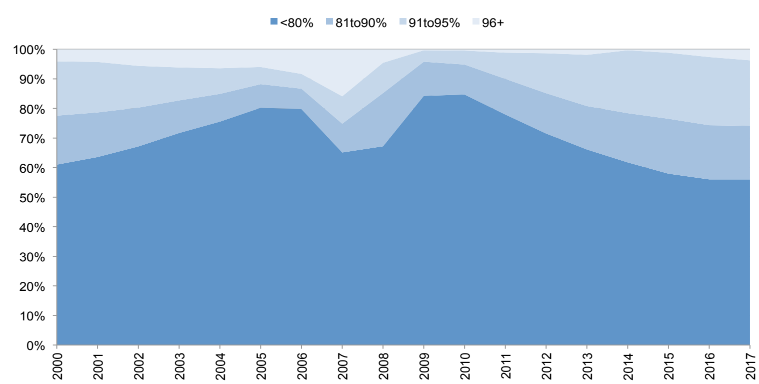
Share of > 95% LTV Purchase Lending



Share of 91-95% LTV Purchase Lending

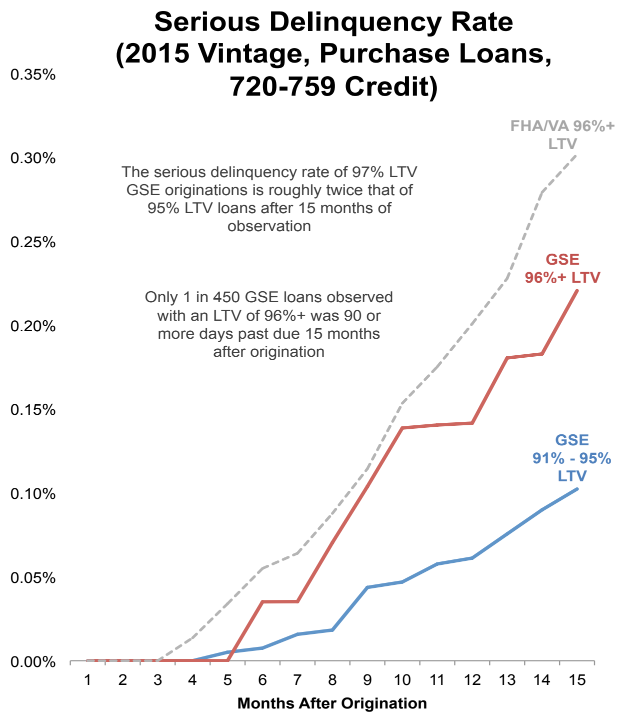


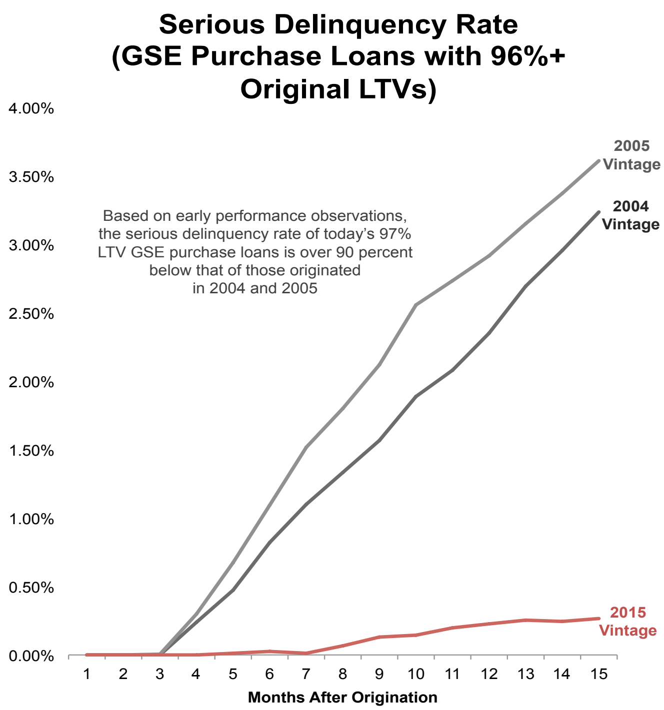
Share of GSE Purchase Lending By LTV Bucket



- The GSEs market share in sub-five-percent-down lending has risen to just over 10 percent in Q4 2016 and Q1 2017, the highest level seen since Q1 2008
- Despite their market share declining since the GSEs' re-introduction of three percent down products, the FHA and VA still dominate the space, accounting for over 80 percent of all sub-five-percent-down purchase lending
- FICO risk remains low; the average credit score for >95 percent LTV GSE mortgages remains nearly 60 points higher than pre-recession originations
- In reviewing the full high-LTV market, the average credit score is now just under 715, having climbed seven points over the past year
- The FHA/VA market share of five to nine percent down payment lending has declined in recent years to ~16 percent, with GSE lending now accounting for approximately three quarters of such lending
- Over 25 percent of all GSE purchase lending in both 2016 and early 2017 have been products where the borrower is putting down less than 10 percent, up from as low as just five percent in 2009 and 2010
- Less than 60 percent of GSE purchase loans today involve the borrower putting down 20 percent or more, the lowest share dating back to at least 2000

HIGH LTV PURCHASE LENDING





- It should be noted that GSE mortgages with less than five percent down payments typically carry approximately 10 point lower credit scores than their five to nine percent down counterparts
- However, even looking within each credit score grouping, we still see noticeably higher early stage DQ rates among sub-five-percent-down GSE mortgages as compared to five to nine percent down
- This is to be expected as sub-five-percent down GSE products are more heavily geared towards first time homebuyers and can also include income restrictions in some cases
- Despite that fact, these loans still have lower default rates than FHA loans with similar LTVs and can also perform the broader purchase market as a whole

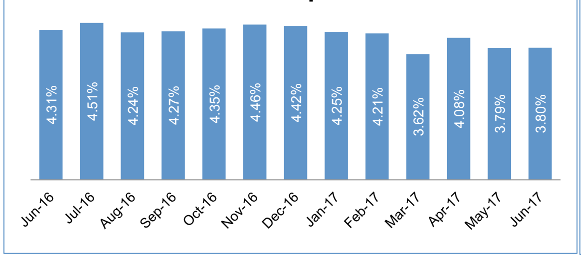
APPENDIX

» June 2017 Data Summary

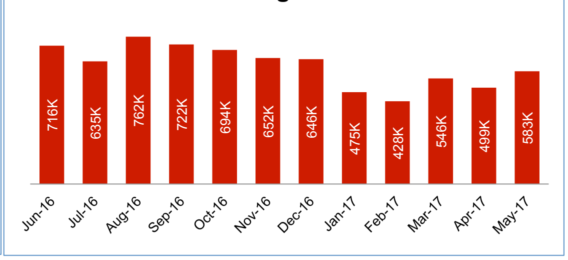
	Jun-17	Monthly Change	YTD Change	Yearly Change
Delinquencies	3.80%	0.12%	-10.67%	-11.84%
Foreclosure	0.81%	-2.71%	-14.69%	-27.01%
Foreclosure Starts	56,500	1.25%	-19.74%	-18.47%
Seriously Delinquent (90+) or in Foreclosure	1.90%	-1.87%	-15.65%	-23.29%
New Originations (data as of May-17)	583K	17.0%	-9.7%	-12.0%

	Jun-17	May-17	Apr-17	Mar-17	Feb-17	Jan-17	Dec-16	Nov-16	Oct-16	Sep-16	Aug-16	Jul-16	Jun-16
Delinquencies	3.80%	3.79%	4.08%	3.62%	4.21%	4.25%	4.42%	4.46%	4.35%	4.27%	4.24%	4.51%	4.31%
Foreclosure	0.81%	0.83%	0.85%	0.88%	0.93%	0.94%	0.95%	0.98%	0.99%	1.00%	1.04%	1.09%	1.10%
Foreclosure Starts	56,500	55,800	52,800	60,300	57,900	70,400	59,700	60,400	56,500	61,700	68,800	61,300	69,300
Seriously Delinquent (90+) or in Foreclosure	1.90%	1.93%	2.00%	2.05%	2.19%	2.25%	2.29%	2.33%	2.33%	2.32%	2.36%	2.46%	2.47%
New Originations		583K	499K	546K	428K	475K	646K	652K	694K	722K	762K	635K	716K

Total Delinquencies



New Originations



APPENDIX

» 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%
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%
5/31/17	50,822,103	1,023,548	342,106	561,556	420,975	2,348,185	55,798	477	1,006	133.4%
6/30/17	50,875,908	1,031,476	344,883	555,183	410,018	2,341,560	56,496	472	999	135.4%

APPENDIX

State		Del %	FC %	Non-Curr %	Yr/Yr Change in NC%	State		Del %	FC %	Non-Curr %	Yr/Yr Change in NC%	State		Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National		3.8%	0.81%	4.6%	-14.9%	National		3.8%	0.81%	4.6%	-14.9%	National		3.8%	0.81%	4.6%	-14.9%
MS		9.3%	0.8%	10.1%	-9.5%	MD	*	4.6%	0.9%	5.6%	-12.9%	IA	*	3.2%	0.7%	3.9%	-10.9%
LA	*	7.4%	1.3%	8.6%	-6.2%	OH	*	4.4%	1.0%	5.4%	-13.5%	DC		2.7%	1.2%	3.9%	-21.4%
AL		6.5%	0.6%	7.1%	-10.6%	TX		4.9%	0.5%	5.4%	-9.2%	WY		3.3%	0.5%	3.8%	-6.9%
WV		6.0%	0.8%	6.8%	-12.0%	NM	*	3.9%	1.4%	5.3%	-12.5%	VA		3.4%	0.3%	3.7%	-12.8%
ME	*	4.5%	2.1%	6.6%	-14.4%	FL	*	3.8%	1.4%	5.1%	-20.2%	AK		3.1%	0.4%	3.5%	7.9%
NJ	*	4.2%	2.2%	6.4%	-26.3%	HI	*	2.9%	2.2%	5.1%	-18.0%	NE	*	3.1%	0.3%	3.4%	-7.9%
NY	*	4.0%	2.4%	6.4%	-17.5%	VT	*	3.4%	1.5%	5.0%	-9.5%	UT		2.8%	0.3%	3.1%	-16.7%
RI		5.1%	1.2%	6.3%	-14.6%	NC		4.3%	0.5%	4.8%	-13.1%	AZ		2.7%	0.3%	2.9%	-14.2%
IN	*	5.1%	1.0%	6.2%	-11.2%	KY	*	3.9%	0.9%	4.8%	-11.8%	SD	*	2.4%	0.5%	2.9%	-5.6%
PA	*	5.0%	1.1%	6.1%	-12.7%	KS	*	4.1%	0.6%	4.8%	-9.4%	CA		2.5%	0.3%	2.8%	-16.7%
OK	*	4.8%	1.2%	6.0%	-12.3%	MA		3.8%	1.0%	4.7%	-17.7%	WA		2.2%	0.5%	2.7%	-22.9%
AR		5.3%	0.6%	6.0%	-11.1%	IL	*	3.6%	1.0%	4.6%	-13.5%	ID		2.3%	0.4%	2.7%	-16.0%
DE	*	4.6%	1.2%	5.9%	-14.8%	MO		4.0%	0.4%	4.4%	-14.5%	MT		2.2%	0.5%	2.6%	-13.1%
CT	*	4.3%	1.4%	5.7%	-12.5%	WI	*	3.4%	0.8%	4.2%	-12.1%	OR		2.0%	0.7%	2.6%	-23.8%
GA		5.2%	0.5%	5.6%	-12.1%	MI		3.9%	0.3%	4.2%	-10.4%	MN		2.2%	0.2%	2.5%	-11.3%
SC	*	4.6%	1.0%	5.6%	-13.3%	NH		3.5%	0.5%	4.0%	-11.4%	ND	*	1.7%	0.6%	2.2%	-6.7%
TN		5.2%	0.4%	5.6%	-13.3%	NV		2.9%	1.0%	3.9%	-23.4%	CO		2.0%	0.2%	2.1%	-18.2%

** - 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