MAY 2015 REPORT

MORTGAGE MONITOR

BLACK KNIGHT™
FINANCIAL SERVICES
DATA & ANALYTICS

CONTENTS

MAY 2015 OVERVIEW

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

This month, Black Knight takes a closer look at May's increase in mortgage delinquencies as was reported in the company's most recent First Look report. In addition, the report examines the latest trends around foreclosures and prepayment rates, as well as the ARM share of today's origination market.

From there, the report leverages data from the Black Knight Home Price Index along with Census Bureau income figures to examine the current state of home affordability, seeing how payment-to-income ratios and mortgage payment dollar figures match up today against historical trends.

Finally, this month's Mortgage Monitor looks at the size of the refinanceable borrower population, while also calculating potential monthly savings for those who do refinance. As the government's Home Affordable Refinance Program (HARP) has been extended through 2016, the report examines the population of HARP-eligible borrowers as well.

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.

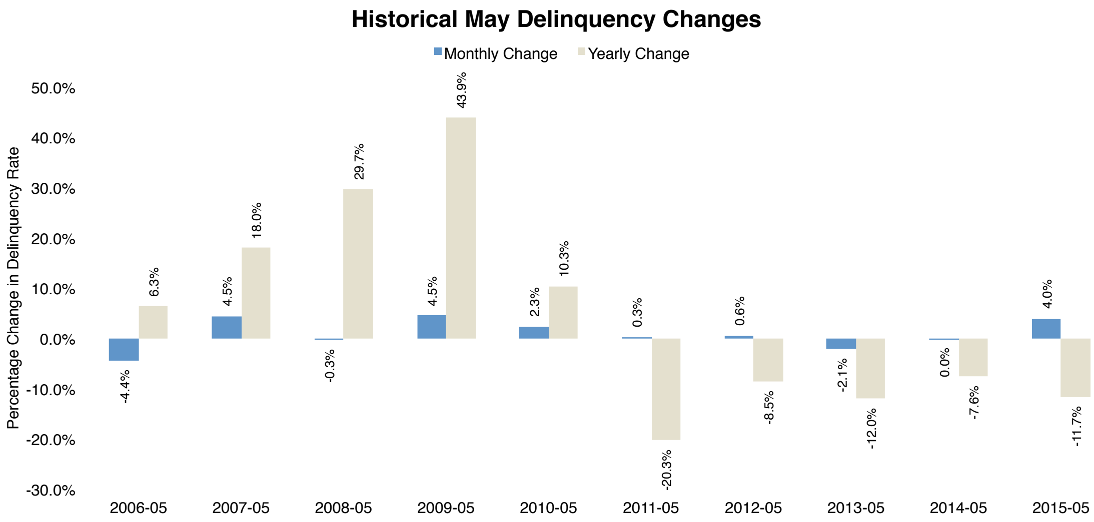
MAY FIRST LOOK FINDINGS

Here we have a brief overview of findings from [Black Knight's 'First Look' at May mortgage performance data] while also examining May's increase in delinquencies in more detail, the latest on foreclosure and prepayment trends and the ARM share of the origination market. 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.

	May-15	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):	4.96%	3.95%	-11.67%	
Total U.S. foreclosure pre-sale inventory rate:	1.49%	-1.28%	-22.07%	
Total U.S. foreclosure starts:	81,900	11.43%	-5.10%	
Monthly Prepayment Rate (SMM):	1.35%	-2.86%	49.03%	
Foreclosure Sales as % of 90+:	2.01%	6.42%	2.88%	
Number of properties that are 30 or more days past due, but not in foreclosure:	2,513,000	98,000	-326,000	
Number of properties that are 90 or more days past due, but not in foreclosure:	922,000	-30,000	-247,000	
Number of properties in foreclosure pre-sale inventory:	754,000	-10,000	-212,000	
Number of properties that are 30 or more days past due or in foreclosure:	3,268,000	89,000	-537,000	

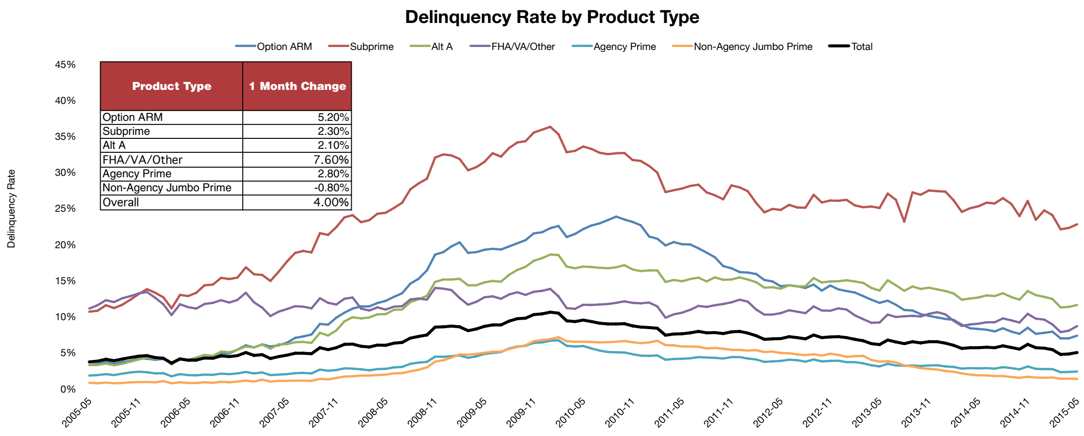
- In Black Knight's 'First Look' report, a high-level view at the month's mortgage performance data, we saw delinquencies increase nearly 4 percent from April, pushing the national rate up to 4.96 percent
- Foreclosure starts jumped as well, rising 11 percent for a total of 81,900 starts in May
- Prepayment rates (Single Month Mortality) declined again in May, down nearly 3 percent for the month, but remaining up almost 50 percent from last year
- Total non-current inventory (everything 30 or more days past due, or in foreclosure) rose by 89,000 from April, bringing the total to 3,268,000 – still down by 537,000 from this time last year

MAY FIRST LOOK FINDINGS



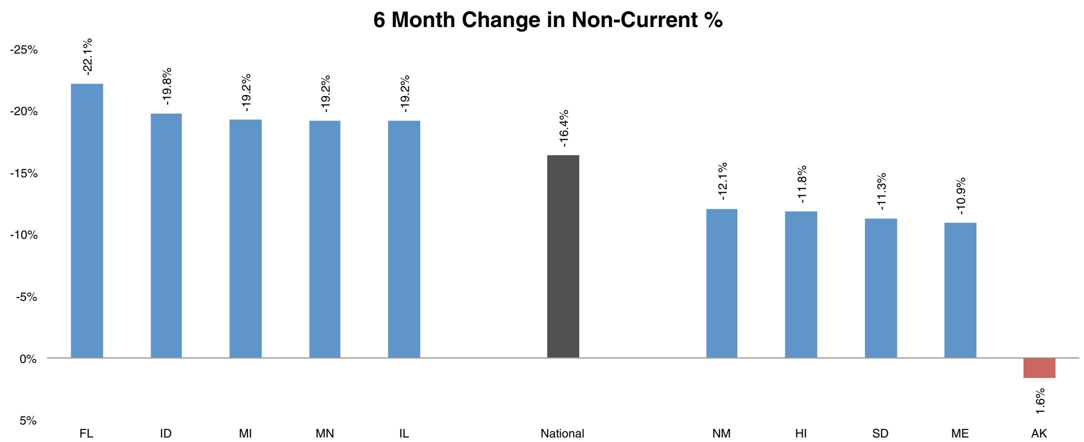
- Though increases in delinquencies have been seen in 7 of the last 10 Mays, this month's increase was the largest since 2009
- It was the largest monthly increase for any month since November 2014's nearly 12 percent M/M increase; a month that – like May – ended on a Sunday
- Months ending on Sundays historically trigger an increase in delinquency rates
- The top 5 delinquency rate increases in the past 7 years have all come in months ending on a Sunday
- Delinquencies are still improving overall, declining almost 12 percent from last May

MAY FIRST LOOK FINDINGS



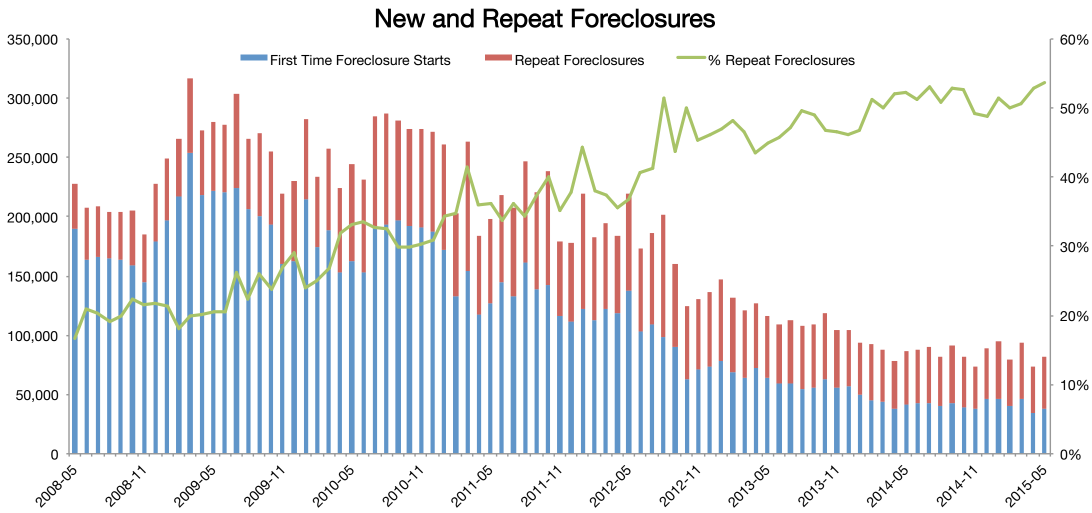
Product Type	1 Month Change
Option ARM	5.20%
Subprime	2.30%
Alt A	2.10%
FHA/VA/Other	7.60%
Agency Prime	2.80%
Non-Agency Jumbo Prime	-0.80%
Overall	4.00%

- » The delinquency rate increase was observed across almost all product types, loan vintages, credit score groups, etc.
- » One of the few categories that didn't see an increase in May was Non-Agency Jumbo Prime, where delinquencies actually fell by 0.8 percent
- » The increase was most pronounced among FHA/VA loans, where delinquencies rose by 7.6 percent
- » Within FHA/VA, the May increase was more predominant in post-crisis vintages (2009 – 2014), though was consistent across all LTV levels

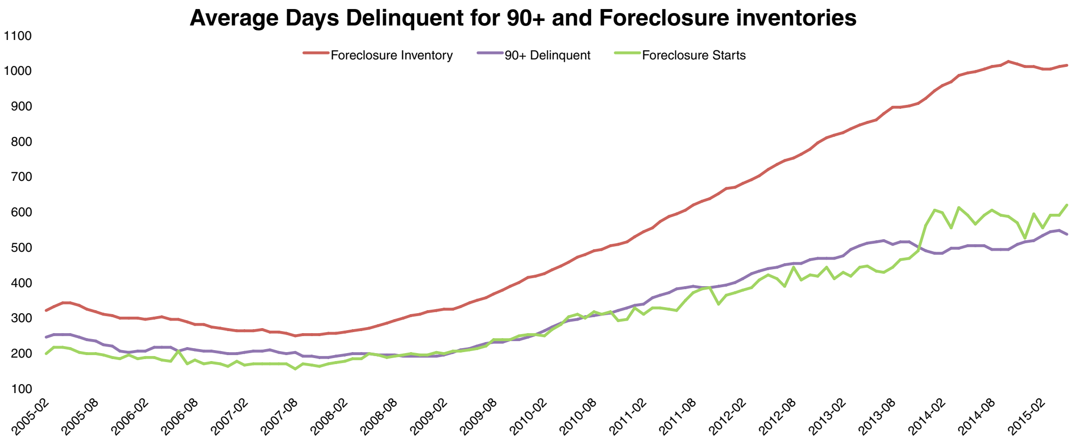


- » 49 states have seen at least a 10 percent reduction in non-current rates over the past 6 months; only Alaska has seen an increase (albeit a marginal one)
- » Overall the non-current rate has dropped by more than 16 percent over the past 6 months
- » Florida leads the nation with a 22 percent reduction in non-current inventory over the past 6 months, followed by Idaho, Michigan, Minnesota, and Illinois at just under 20 percent
- » Alaska's total non-current population only consists of roughly 4,000 loans, with a rate of 3.7 percent – just over half the national rate of 6.5 percent

MAY FIRST LOOK FINDINGS



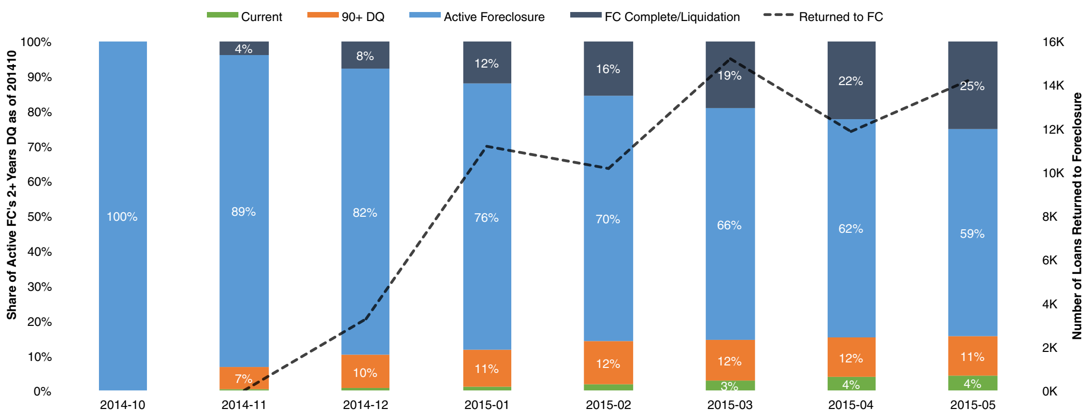
- Foreclosure starts increased by 11 percent in May, driven by both repeat and first time foreclosure starts
- First time foreclosures rose by 9.3 percent, from 34,700 in April to 37,900 in May
- Repeat foreclosures, on the other hand, rose by 13.4 percent, climbing by more than 5,000 starts over April
- It's important to note that April saw the lowest number of foreclosure starts since before the housing crisis



- The average number of days past due has increased to 1,013 for the population of loans in foreclosure, the highest it's been since November 2014, when the number had begin to back off its high of 1,024
- For loans 90 or more days delinquent, but not yet in active foreclosure, the average number of days delinquent has declined to 535 after climbing for the last six months
- The increase among the active foreclosure population has been seen mostly in judicial states

MAY FIRST LOOK FINDINGS

Static Pool Analysis of Active Foreclosures >2 Years Delinquent



» Looking at a pool of roughly 468,000 active foreclosures that were at least two years delinquent, we have seen significant improvement in aged foreclosure inventory since October 2014

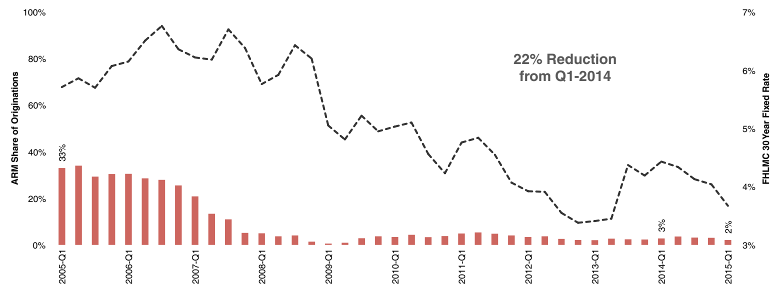
» Of these, 20,000 (4 percent) have now brought their mortgage current, 51,500 (11 percent) have shifted back to 90+ days delinquent status (presumably while lenders pursue loss mitigation efforts) and 116,000 (25 percent) have completed foreclosure or been liquidated through short sales

» 59 percent (273,000) remain in active foreclosure

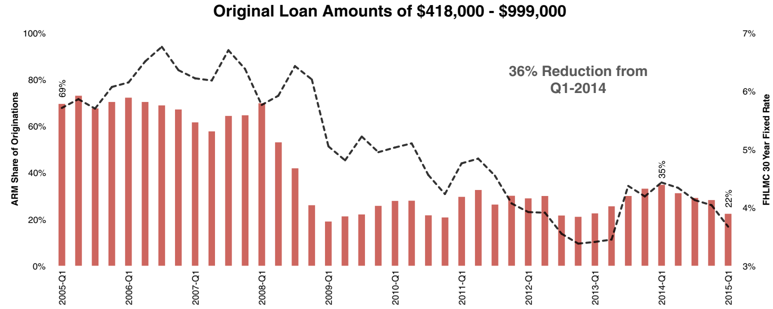
» Between cures and loans processed through foreclosure or liquidated, this population has dropped by 136,000 loans (29 percent) over the past 7 months, only slightly below the 33 percent decline in total foreclosure inventory

MAY FIRST LOOK FINDINGS

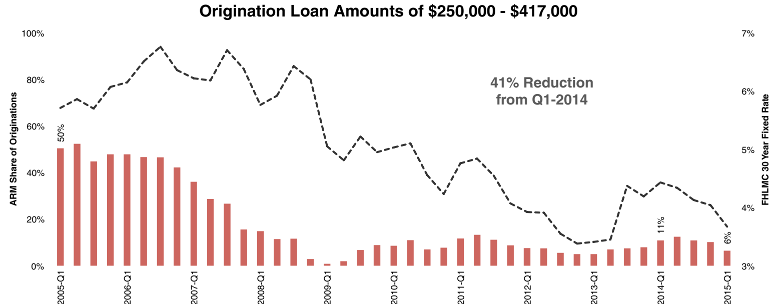
Origination Loan Amount Less than $250,000



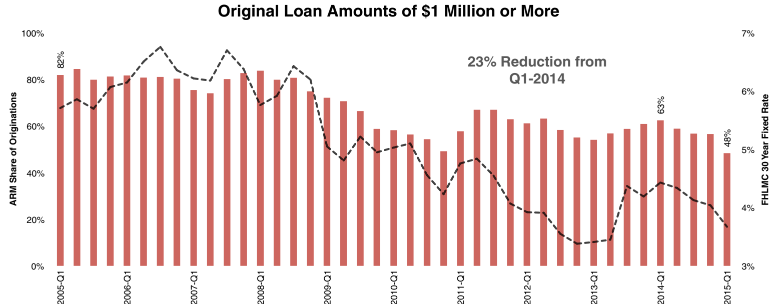
Original Loan Amounts of $418,000 - $999,000



Origination Loan Amounts of $250,000 - $417,000



Original Loan Amounts of $1 Million or More



» As interest rates have dropped, the adjustable rate mortgage (ARM) share of originations has declined as well

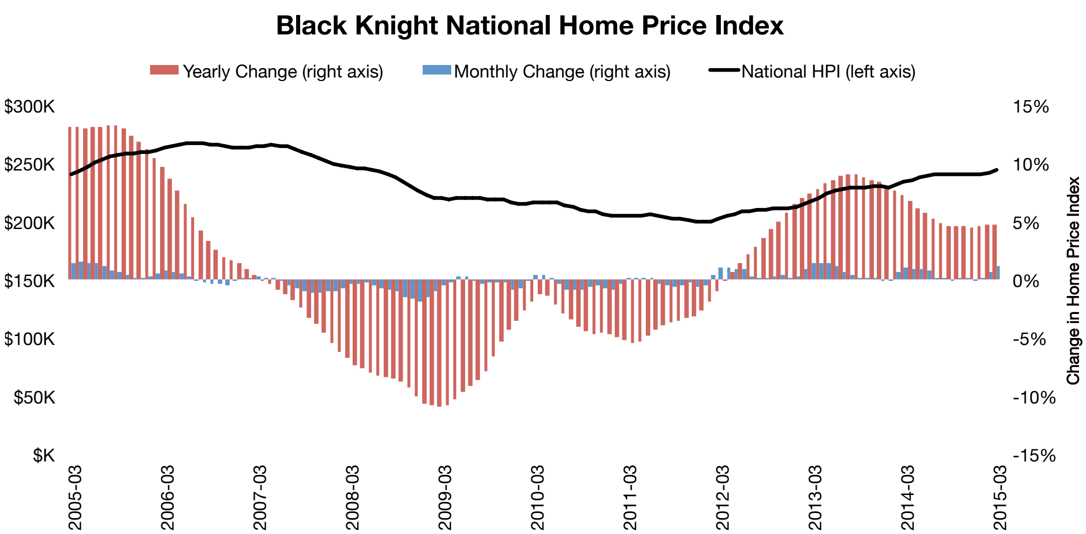
» The ARM share of originations remains much higher on loans $417,000 or more

» The largest reductions in ARM originations were seen among loans between $250,000-$417,000 and between $417,000-$1,000,000

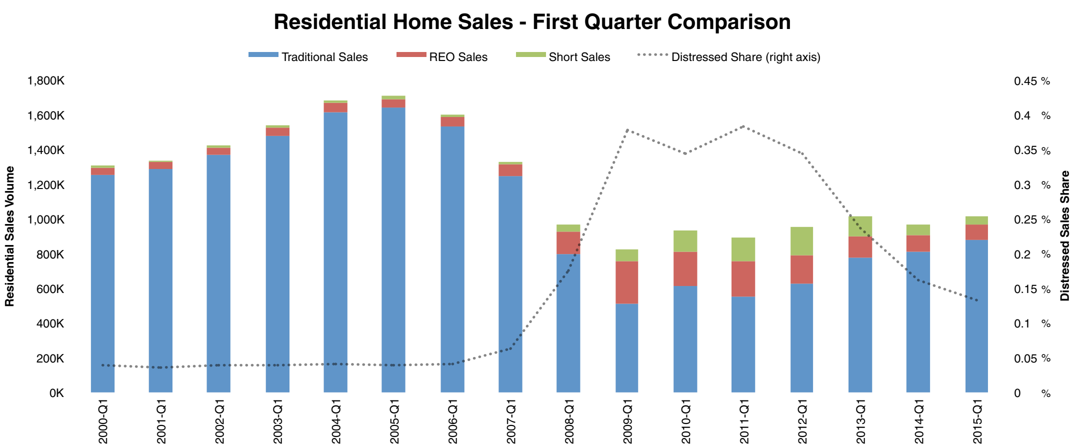
» There has historically been strong correlation between interest rates and ARM share (though it's been more pronounced in refinance than purchase transactions)

HOME PRICE & AFFORDABILITY TRENDS

Here, we leverage data from the Black Knight Home Price Index along with Census Bureau income figures to examine the current state of home affordability. You may click on each chart to see its contents in high-resolution.

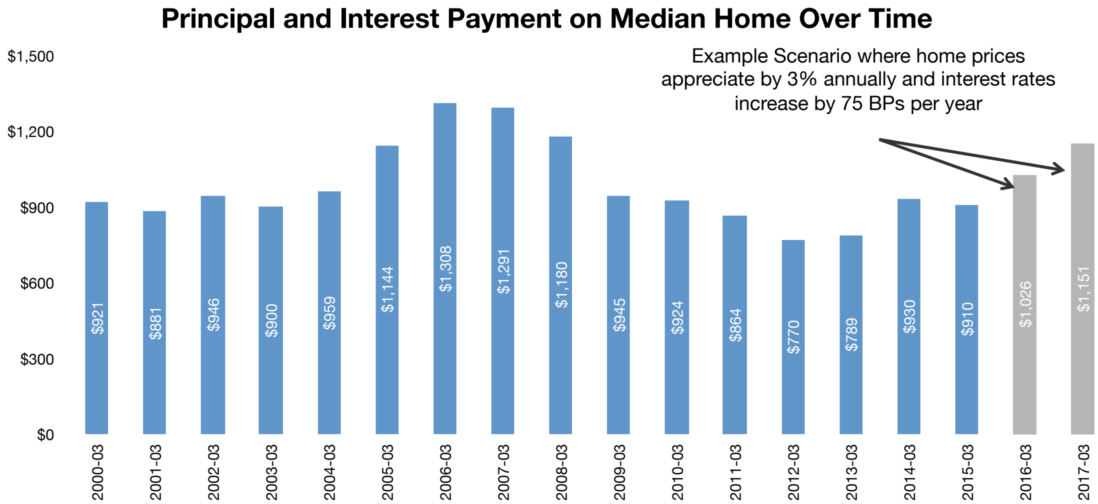


- As of March, national home prices were within 8.4 percent of their 2006 peak
- March's 1.2 percent increase in home prices was the largest since June 2013
- Yearly home price appreciation is beginning to flatten, currently at 4.8% Y/Y
- Nine of the 40 largest metro areas hit new highs in March, while even the 10 worst performing states still saw flat to positive movement for the month



- Traditional sales (as opposed to distressed sales) hit a post-crisis high in the first quarter of this year, reaching their highest level since Q1 2007
- Additionally, Q1 2015 saw the second highest number of total sales post-crisis (lagging slightly behind 2013 by about 4,500 sales)
- Traditional sales were up 9 percent from Q1 2014, while distressed sales were down 14 percent over the same period
- Breaking down distressed sales, we saw REO sales fall by 7 percent from Q1 2014, with short sales dropping by 25 percent over the same period

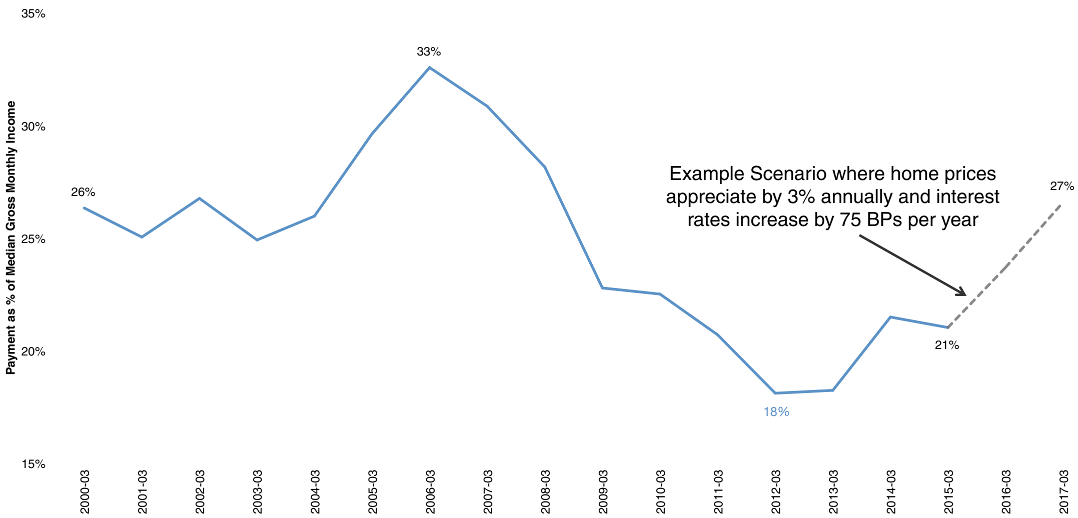
HOME PRICE & AFFORDABILITY TRENDS



- At $910, the monthly payment on a median-priced home today is in line with 2000-2003 levels and $400 less than it was in 2006
- In 2012, at the bottom of the national housing market, the monthly principal and interest payment on a median-priced home was down to $770, about $150 below pre-bubble levels
- As this chart makes clear, home price and interest rate increases could have a significant impact on affordability over the next couple of years
- In an example scenario where home prices appreciate at 3 percent annually and interest rates rise by 75 basis points per year, the payment on the median-priced home would increase by $116 per month over the next year and $241 per month by March 2017
- As we've seen in the past year, these payments are impacted more by interest rate fluctuations than home prices
- All else being equal, right now, a one percent increase in interest rates would impact affordability as much as a 13 percent jump in home prices

HOME PRICE & AFFORDABILITY TRENDS

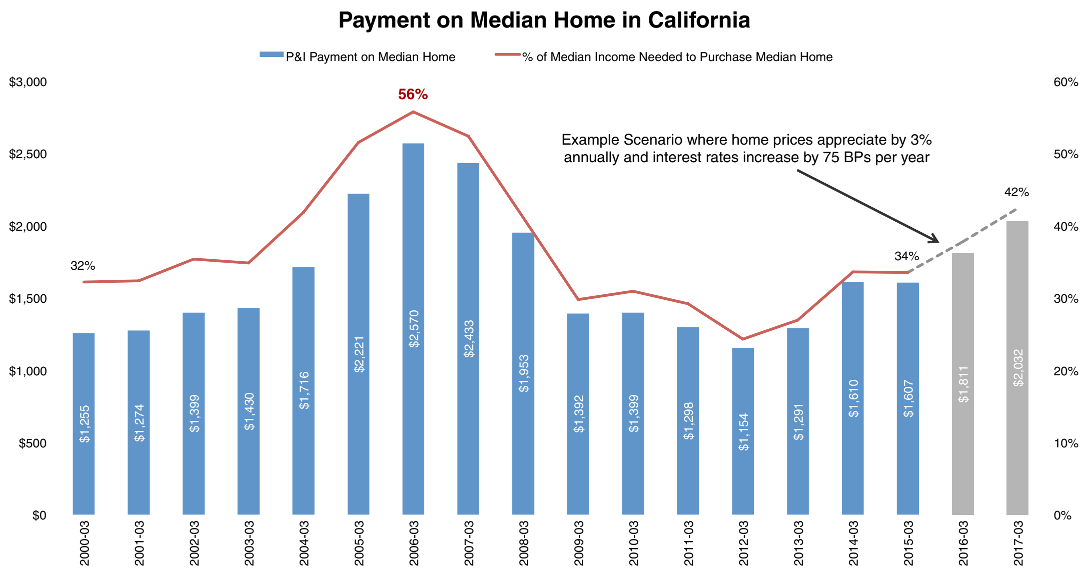
Percent of Median Gross Income Needed to Purchase Median Home



**The calculation above estimates the principal and interest payment on the median home price based on an 80% LTV 30-year fixed rate mortgage at the FHLMC 30-year rate as a percent of the median monthly household income as reported by the Census Bureau*

- Here, we add income changes into the equation to illustrate the percent of the median gross monthly income required to purchase a median-priced home
- Affordability remains favorable, but could change with increasing rates and home prices
- Today, the principle and interest payment on a median-priced home is equivalent to 21 percent of median gross monthly income nationally
- In the years before the housing bubble that ratio was closer to 25-26 percent, and at the height of the market in 2006, it peaked as high as 33 percent
- In our example scenario where interest rates rise by 75 basis points a year and home prices appreciate by 3 percent annually, the payment-to-income ratio would be at 27 percent by 2017, at or above pre-bubble norms

HOME PRICE & AFFORDABILITY TRENDS

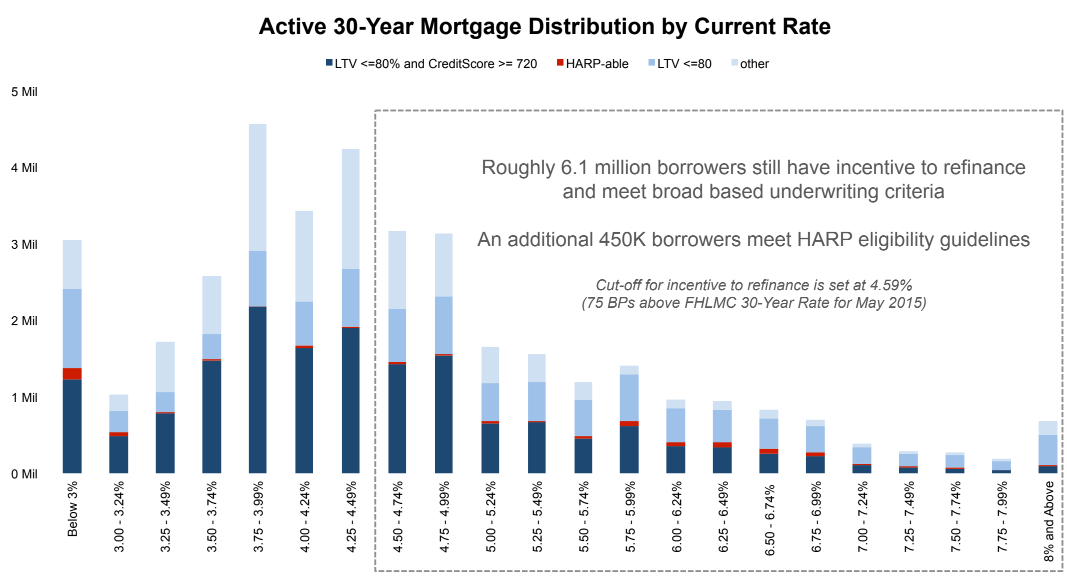


***The calculation above estimates the principal and interest payment on the median home price based on an 80% LTV 30-year fixed rate mortgage at the FHLMC 30-year rate as a percent of the median monthly household income as reported by the Census Bureau**

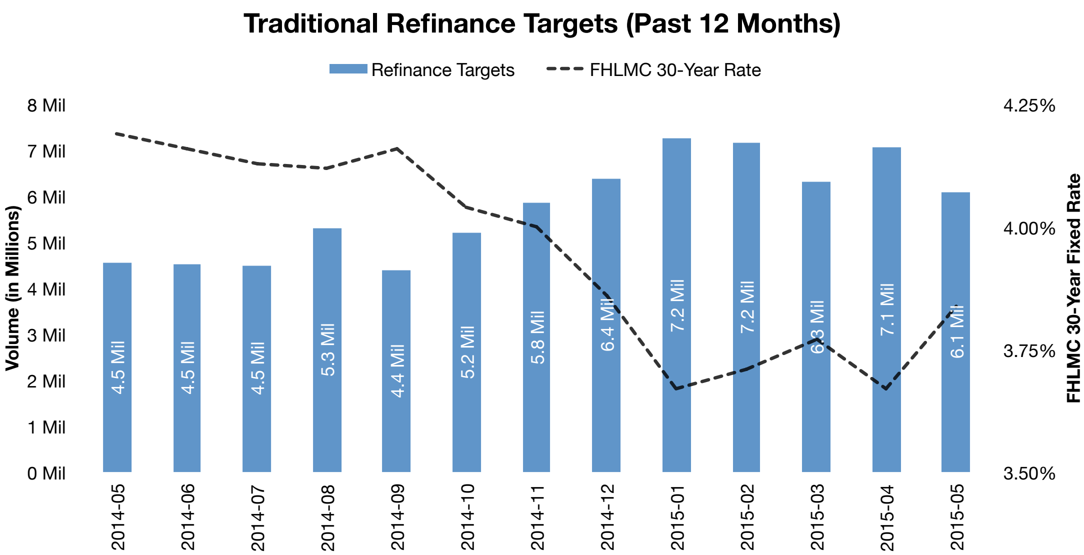
- » Looking specifically at the state of California, we find that the payment-to-income ratio in California has already reached pre-bubble levels
- » Using the same example scenario, the payment on a median home would rise by $425 over the next two years and put the payment-to-income ratio at 42 percent – well above pre-bubble levels
- » Washington, D.C. is in a similar situation, where payment-to-income ratios are already back to pre-bubble levels and interest rate levels will have significant impact on home affordability

REFINANCEABLE POPULATION

Here we look at the size of both the traditional refinance and HARP candidate populations in today's market, while also calculating potential monthly savings for those who do refinance via either method. You may click on each chart to see its contents in high-resolution.

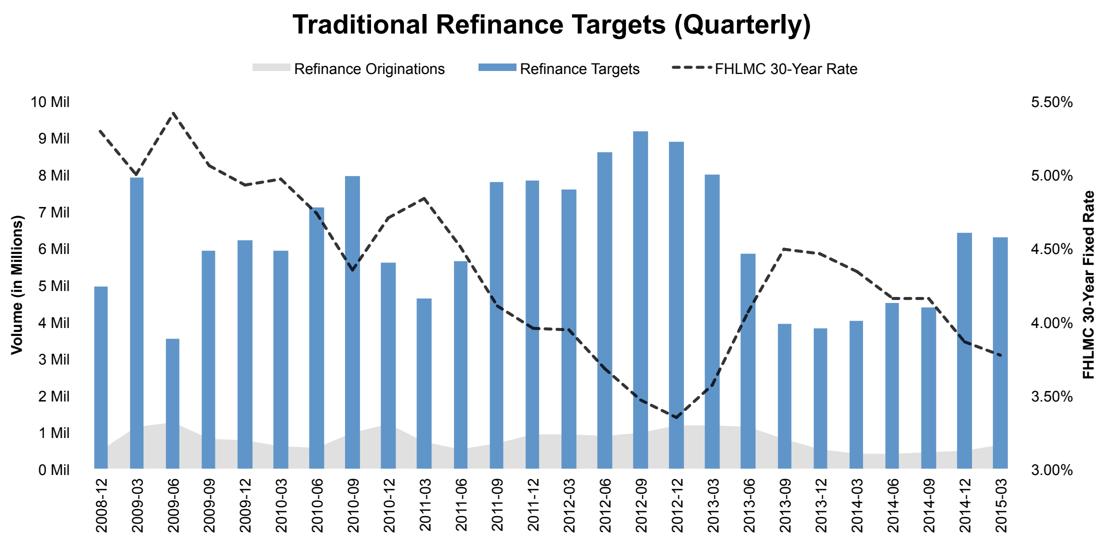


- » Looking at current interest rates on existing 30-year mortgages and applying broad-based underwriting criteria, we see approximately 6.1 million potential refinance candidates – borrowers that likely could qualify for and benefit from refinancing
- » Given that HARP has been extended through 2016, we find there are an additional 450K borrowers that meet HARP eligibility guidelines and could benefit from refinancing through the program

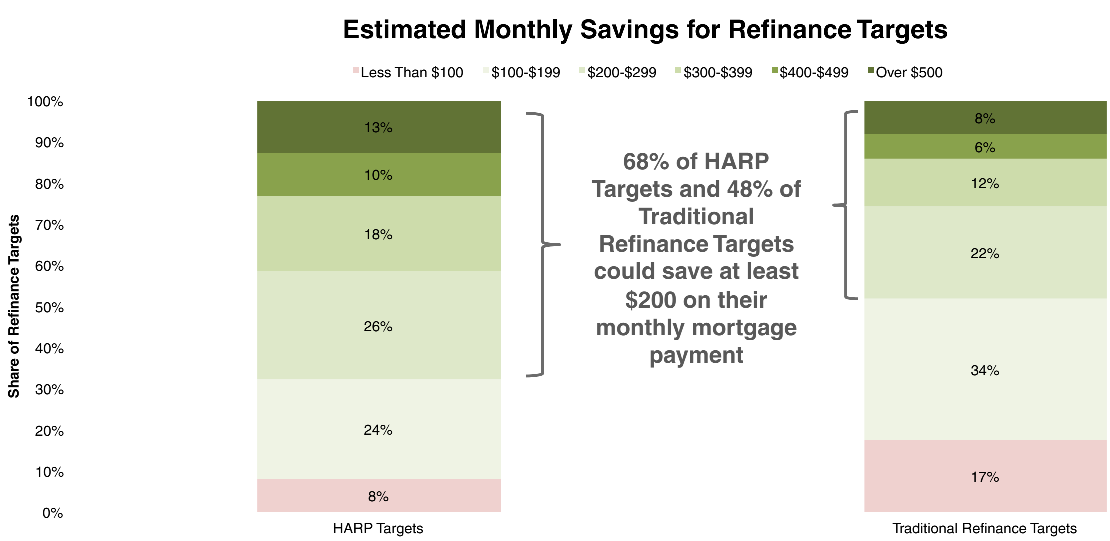


- » There are 1.6 million more refinanceable borrowers today than one year ago, due in part to home price appreciation, but primarily due to interest rate reductions
- » This is down by 1 million borrowers from just last month, due to minor fluctuations in interest rates, illustrating just how rate sensitive a population this is
- » If rates were to rise by just half a percentage point, 42 percent of borrowers (2.6 million people) fall out of that refinanceable population

REFINANCEABLE POPULATION



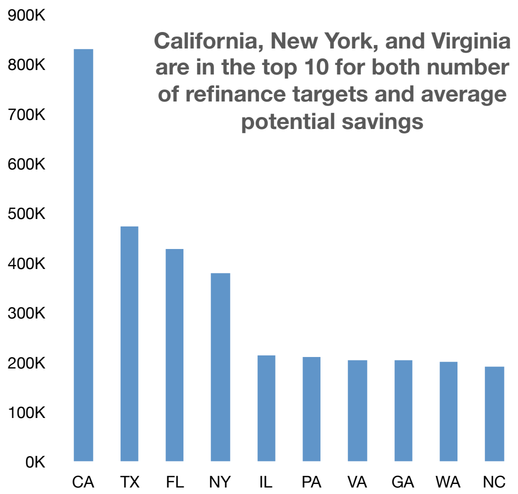
- » The refinanceable population is up from late 2013 and early 2014 levels, but still well below the peaks seen in 2012 when interest rates were at historic lows
- » This chart clearly shows the impact of interest rates on the population over time, as well as the fluctuation of refinance originations based on changing target populations



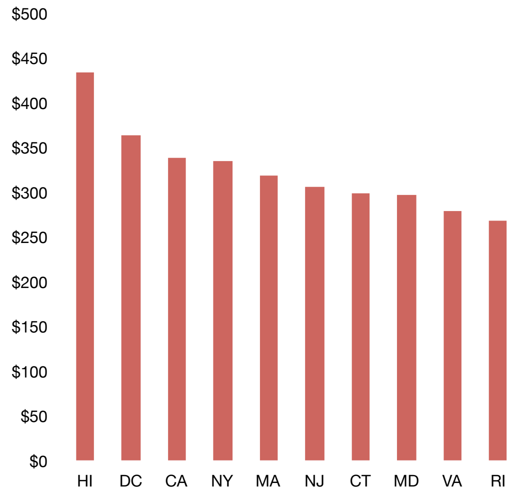
- » The average potential savings for traditional refinance candidates is $250 per month; for HARP refinances it is roughly ~$300 per month
- » Roughly 500,000 borrowers could save $500 or more through a traditional refinance; while an additional 56,000 could save that much via HARP
- » Nearly 3,000,000 borrowers could save at least $200 per month through a traditional refinance; 300,000 of the 450,000 HARP-eligible population could save that much
- » In the aggregate, U.S. homeowners with mortgages could save $1.5 billion every month if all eligible candidates were to refinance

REFINANCEABLE POPULATION

Traditional Refinance Targets (Top 10 States)

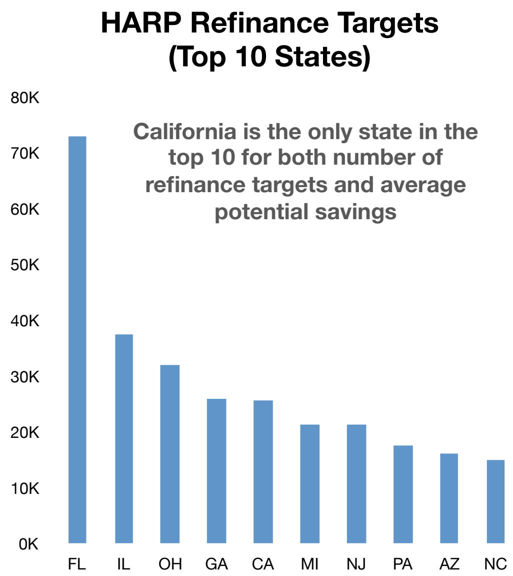


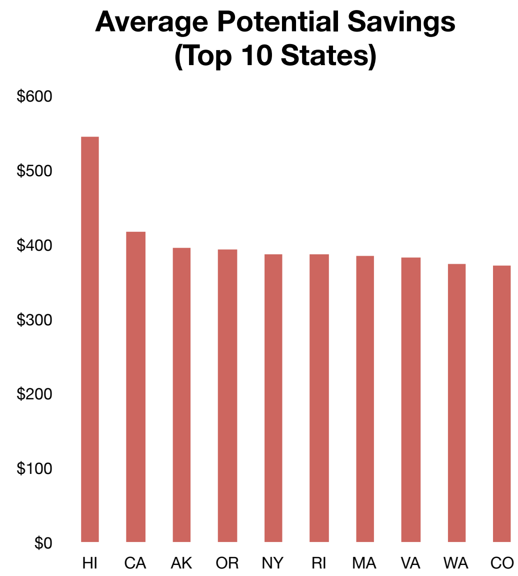
Average Potential Savings (Top 10 States)



- 55 percent of the nation's potential traditional refinance candidates are located in the 10 states in the left hand chart
- California leads the country with 14 percent of borrowers (830,000) that could likely qualify for and benefit from refinancing
- Hawaii leads the country in average monthly savings via refinance (right hand chart), but only has 27,000 potential refinance candidates
- Likewise, with an average savings of $364 per month, Washington, D.C. is second on that list, but has only 17,000 refinance candidates
- California, New York, and Virginia are in the top 10 for both number of refinance candidates and average potential savings

REFINANCEABLE POPULATION





- Looking at HARP specifically, we see that Florida leads the nation, containing 16 percent of the country's 450,000 total potential HARP refinance candidates
- The top 10 states shown on the left account for 63 percent (285,000) of the nation's total population of HARP-eligible borrowers
- Hawaii again leads in terms of average monthly savings via HARP refinancing with an average $543 monthly potential reduction, but has less than 600 HARP candidates in total
- California is the only state in the top 10 for both number of HARP candidates and average potential savings

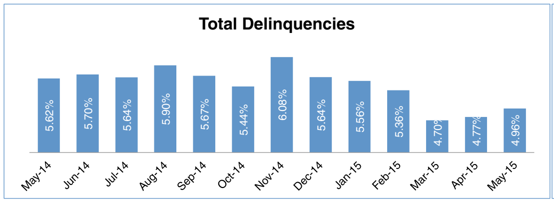
APPENDIX

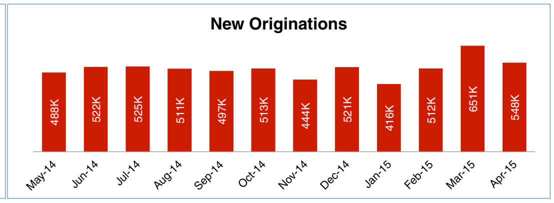
» May 2015 Data Summary

Summary Statistics

	May-15	Monthly Change	YTD Change	Yearly Change
Delinquencies	4.96%	3.95%	-10.81%	-11.67%
Foreclosure	1.49%	-1.28%	-7.53%	-22.07%
Foreclosure Starts	81,900	11.43%	-13.15%	-5.10%
Seriously Delinquent (90+) or in Foreclosure	3.31%	-2.39%	-13.11%	-21.64%
New Originations (data as of Apr-15)	548K	-15.9%	5.2%	22.3%

	May-15	Apr-15	Mar-15	Feb-15	Jan-15	Dec-14	Nov-14	Oct-14	Sep-14	Aug-14	Jul-14	Jun-14	May-14
Delinquencies	4.96%	4.77%	4.70%	5.36%	5.56%	5.64%	6.08%	5.44%	5.67%	5.90%	5.64%	5.70%	5.62%
Foreclosure	1.49%	1.51%	1.55%	1.58%	1.61%	1.61%	1.63%	1.69%	1.76%	1.80%	1.85%	1.88%	1.91%
Foreclosure Starts	81,900	73,500	94,100	79,700	94,300	89,400	73,900	81,400	91,000	81,600	90,700	88,300	86,300
Seriously Delinquent (90+) or in Foreclosure	3.31%	3.39%	3.47%	3.69%	3.81%	3.84%	3.92%	3.86%	3.96%	4.05%	4.10%	4.17%	4.22%
New Originations		548K	651K	512K	416K	521K	444K	513K	497K	511K	525K	522K	488K





» 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	46,665,529	1,176,231	330,190	440,668	264,483	2,211,573	48,144	240	320	166.6%
1/31/06	49,818,159	1,222,411	377,859	523,003	252,572	2,375,846	75,113	202	298	207.1%
1/31/07	52,662,640	1,402,095	460,218	541,717	390,488	2,794,518	114,773	198	261	138.7%
1/31/08	54,094,282	1,701,163	664,956	940,832	817,948	4,124,899	197,210	189	255	115.0%
1/31/09	54,267,187	1,945,997	909,744	1,817,809	1,318,840	5,992,391	249,655	191	321	137.8%
1/31/10	53,476,523	1,897,603	882,089	2,870,204	2,031,020	7,680,916	282,601	252	417	141.3%
1/31/11	52,138,710	1,682,266	715,350	1,988,781	2,162,601	6,548,999	261,272	332	528	92.0%
1/31/12	51,111,780	1,531,458	627,874	1,758,894	2,163,659	6,081,884	219,750	397	668	81.3%
1/31/13	49,896,142	1,407,343	567,022	1,531,216	1,702,715	5,208,297	147,593	468	814	89.9%
1/31/14	50,044,899	1,318,673	532,548	1,288,573	1,175,470	4,315,263	94,075	481	943	109.6%
2/28/14	50,118,665	1,267,410	482,140	1,241,878	1,114,985	4,106,413	91,993	481	956	111.4%
3/31/14	50,211,856	1,135,658	435,521	1,198,907	1,069,791	3,839,877	88,113	496	966	112.1%
4/30/14	50,211,885	1,197,193	436,813	1,187,019	1,016,287	3,837,312	78,796	495	985	116.8%
5/31/14	50,541,174	1,222,390	447,930	1,168,971	966,062	3,805,353	86,258	501	993	121.0%
6/30/14	50,530,807	1,261,502	466,039	1,155,114	951,384	3,834,039	88,314	502	997	121.4%
7/31/14	50,521,130	1,239,298	473,983	1,136,139	935,460	3,784,879	90,690	501	1,001	121.5%
8/31/14	50,721,908	1,356,047	495,387	1,143,222	912,898	3,907,555	81,612	493	1,010	125.2%
9/30/14	50,721,358	1,271,486	488,967	1,117,525	892,796	3,770,773	91,038	492	1,014	125.2%
10/31/14	50,727,094	1,191,454	466,798	1,100,801	857,824	3,616,877	81,437	490	1,024	128.3%
11/30/14	50,783,150	1,422,073	503,548	1,162,841	828,682	3,917,144	73,862	507	1,016	140.3%
12/31/14	50,819,278	1,251,925	483,525	1,132,301	820,177	3,687,928	89,357	515	1,010	138.1%
1/31/15	50,567,011	1,227,669	473,772	1,111,816	814,513	3,627,770	94,347	515	1,009	136.5%
2/28/15	50,628,011	1,210,788	434,339	1,067,411	799,956	3,512,494	79,740	531	1,004	133.4%
3/31/15	50,574,334	1,019,050	389,680	970,782	782,155	3,161,667	94,138	542	1,003	124.1%
4/30/15	50,601,281	1,074,851	388,123	952,481	763,531	3,178,986	73,547	544	1,011	124.7%
5/31/15	50,648,417	1,184,139	407,107	922,072	754,422	3,267,740	81,944	535	1,013	122.2%

APPENDIX

State	Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National	5.0%	1.5%	6.4%	-14.3%
MS	11.4%	1.6%	13.0%	-5.7%
NJ	5.8%	5.0%	10.9%	-14.0%
LA	8.5%	1.6%	10.1%	-5.2%
NY	5.5%	3.9%	9.4%	-13.6%
ME	6.4%	3.0%	9.4%	-10.3%
RI	7.4%	1.7%	9.1%	-10.6%
AL	8.0%	1.0%	9.0%	-7.7%
WV	7.3%	1.1%	8.3%	-7.5%
FL	5.4%	2.9%	8.3%	-26.4%
AR	6.9%	1.4%	8.2%	-8.1%
IN	6.5%	1.7%	8.2%	-9.8%
DE	5.9%	2.2%	8.1%	-11.5%
PA	6.0%	1.9%	8.0%	-12.5%
TN	7.1%	0.8%	7.9%	-9.0%
CT	5.7%	2.1%	7.7%	-16.2%
MD	5.9%	1.9%	7.7%	-14.4%
GA	6.6%	0.8%	7.5%	-10.8%
National	5.0%	1.5%	6.4%	-14.3%
OH	5.8%	1.7%	7.5%	-14.9%
OK	5.5%	1.9%	7.5%	-7.0%
SC	5.8%	1.6%	7.4%	-11.3%
MA	5.5%	1.7%	7.2%	-12.7%
HI	3.8%	3.3%	7.1%	-14.0%
NV	4.7%	2.0%	6.7%	-18.9%
NM	4.5%	2.3%	6.7%	-8.9%
IL	4.7%	1.9%	6.6%	-20.6%
KY	5.1%	1.5%	6.5%	-12.7%
NC	5.6%	0.9%	6.5%	-10.2%
TX	5.7%	0.7%	6.4%	-8.9%
VT	4.3%	2.0%	6.3%	-12.0%
MO	5.4%	0.8%	6.2%	-10.5%
KS	4.9%	1.1%	6.0%	-6.6%
WI	4.6%	1.3%	5.9%	-12.5%
NH	5.0%	0.9%	5.8%	-12.5%
MI	5.0%	0.6%	5.5%	-15.8%
National	5.0%	1.5%	6.4%	-14.3%
DC	3.3%	2.1%	5.5%	-18.2%
IA	3.8%	1.3%	5.2%	-13.0%
VA	4.3%	0.6%	4.9%	-7.7%
UT	4.1%	0.6%	4.8%	-12.9%
WA	3.3%	1.4%	4.6%	-18.3%
OR	3.0%	1.6%	4.6%	-19.3%
NE	4.0%	0.6%	4.6%	-9.4%
ID	3.1%	1.0%	4.1%	-18.1%
AZ	3.4%	0.6%	4.0%	-9.6%
WY	3.3%	0.7%	4.0%	-3.3%
CA	3.2%	0.5%	3.8%	-16.1%
AK	3.3%	0.4%	3.7%	-9.2%
MT	2.8%	0.7%	3.5%	-11.9%
MN	3.0%	0.5%	3.5%	-14.8%
SD	2.7%	0.8%	3.4%	-4.8%
CO	2.8%	0.4%	3.2%	-16.1%
ND	1.7%	0.5%	2.2%	-11.5%

» 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