NOVEMBER 2015 **REPORT**

MORTGAGE MONITOR

BLACK KNIGHT®
FINANCIAL SERVICES
DATA & ANALYTICS

CONTENTS

NOVEMBER 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, 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, providing updates on delinquency, foreclosure and prepayment trends. In addition, it reviews November's historically low foreclosure starts, as well as the seasonal rise seen in 90-day defaults.

From there, the report moves on to an analysis of the population of 30-year mortgage holders who could both qualify for and benefit from refinancing at today's interest rates. In addition, we look at potential savings for refinance candidates, as well as examining the impact of rising interest rates on this population

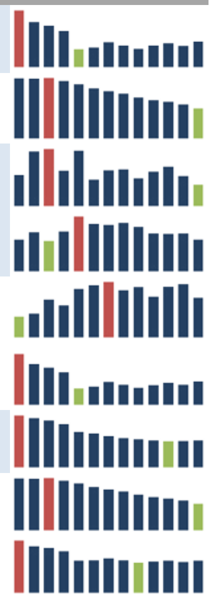
Finally, we combine data from the Black Knight Home Price Index alongside loan-level information from the company's McDash mortgage performance database to provide an update on the rise in "tappable" equity available to U.S. mortgage holders. In addition, we take a look at second lien HELOC origination trends and volumes.

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.

NOVEMBER FIRST LOOK FINDINGS

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

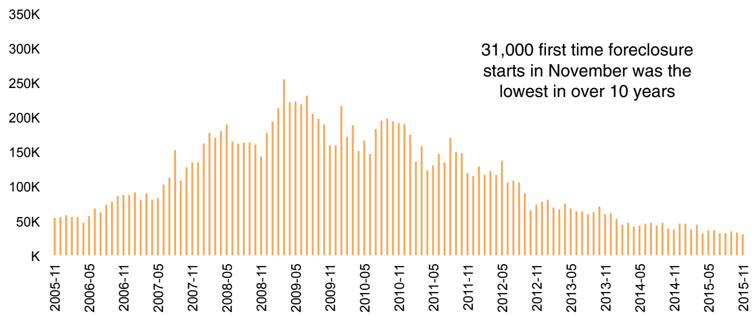
	Nov-15	Month-over-month change	Year-over-year change	12 Month Trend
Total U.S. loan delinquency rate (loans 30 or more days past due, but not in foreclosure):	4.92%	⇧ 3.18%	⇩ -18.26%	
Total U.S. foreclosure pre-sale inventory rate:	1.38%	⇩ -3.24%	⇩ -21.24%	
Total U.S. foreclosure starts:	66,600	⇩ -9.02%	⇩ -9.76%	
Monthly Prepayment Rate (SMM):	0.92%	⇩ -15.70%	⇧ 0.39%	
Foreclosure Sales as % of 90+:	1.77%	⇩ -12.86%	⇧ 25.48%	
Number of properties that are 30 or more days past due, but not in foreclosure:	2,491,000	⇧ 76,000	⇩ -546,000	
Number of properties that are 90 or more days past due, but not in foreclosure:	827,000	⇧ 7,000	⇩ -293,000	
Number of properties in foreclosure pre-sale inventory:	698,000	⇩ -23,000	⇩ -185,000	
Number of properties that are 30 or more days past due or in foreclosure:	3,189,000	⇧ 53,000	⇩ -732,000	



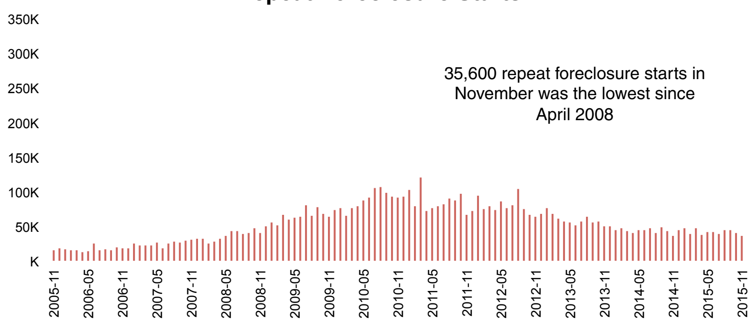
- » November's 3.2 percent increase in delinquencies was not unexpected, as month-over-month delinquency rates have increased in November for 10 of the past 11 years
- » This year's delinquency increase is a bit higher than 2012 or 2013, but pales in comparison to the nearly 12 percent jump seen last year due to the month ending on a Sunday, and is still lower than what was observed for the most part between 2005-2012
- » November's 66K foreclosure starts was the lowest number since April of 2006; there was some degree of seasonality at work here, as the month contained two federal holidays (Veterans Day and Thanksgiving Day)
- » Seasonality was also at play in the sharp drop in prepayment rates, which have fallen in each of the past four Novembers, though 2015's is the sharpest drop since 2008, aided by a 14 basis point rise in interest rates from October to November
- » 90-day delinquencies rose for the second consecutive month, due in part to both seasonal effects and a drop in foreclosure starts (i.e. outflow from 90+ day delinquent inventory); total 90+ inventory is still 26 percent below last year

NOVEMBER FIRST LOOK FINDINGS

First Time Foreclosure Starts

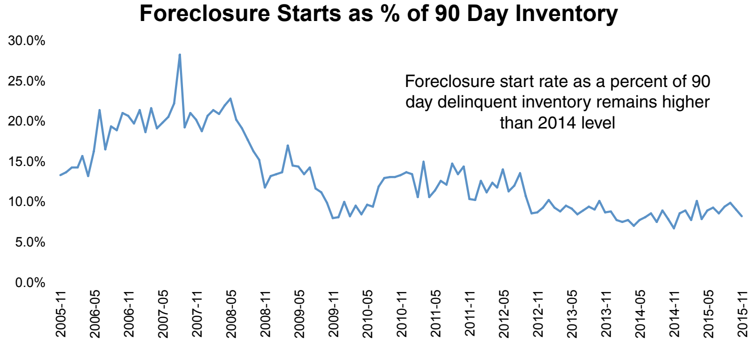


Repeat Foreclosure Starts



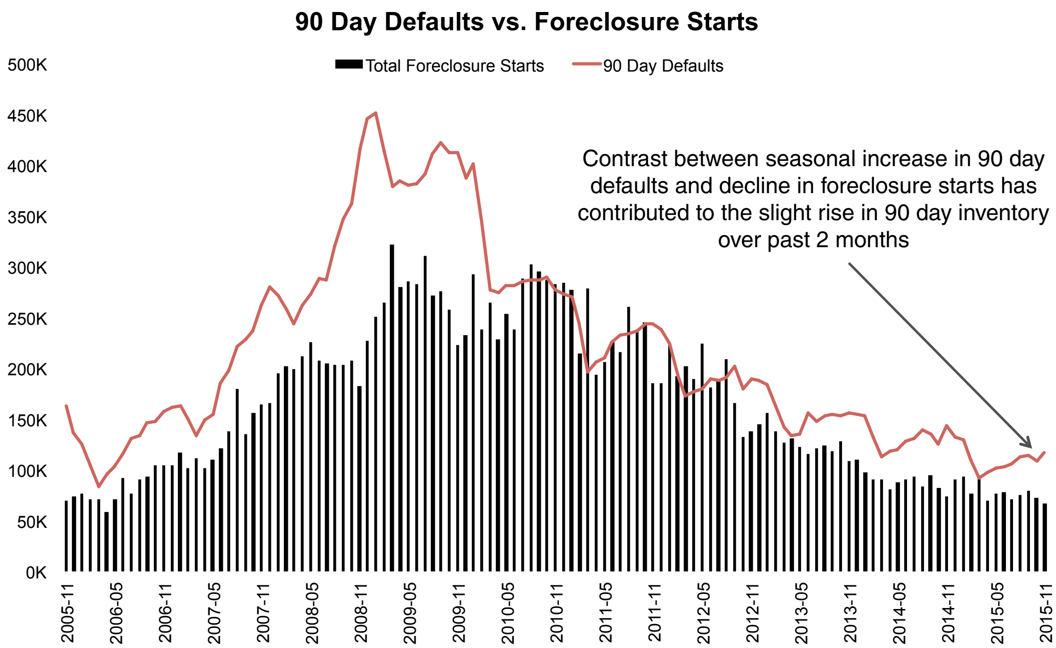
Total Foreclosure Starts

Foreclosure Starts as % of 90 Day Inventory



- Looking more closely at November's foreclosure starts, we see that the month's 31,000 first time foreclosure starts were the lowest in over 10 years
- In fact, the lowest number of foreclosure starts seen in 2005 (when Black Knight began tracking this data) was 37,700 in January – so not only are we back to pre-crisis levels, but November was 18 percent below the lowest level of first time foreclosure starts in all of 2005
- Likewise, repeat foreclosures were at their lowest level since April of 2008
- Foreclosure starts as a percentage of 90-day delinquent inventory remains higher than 2014's level, meaning that – despite multi-year low foreclosure start volumes – a slightly higher share of remaining 90 day delinquent loans are being referred to foreclosure on a monthly basis

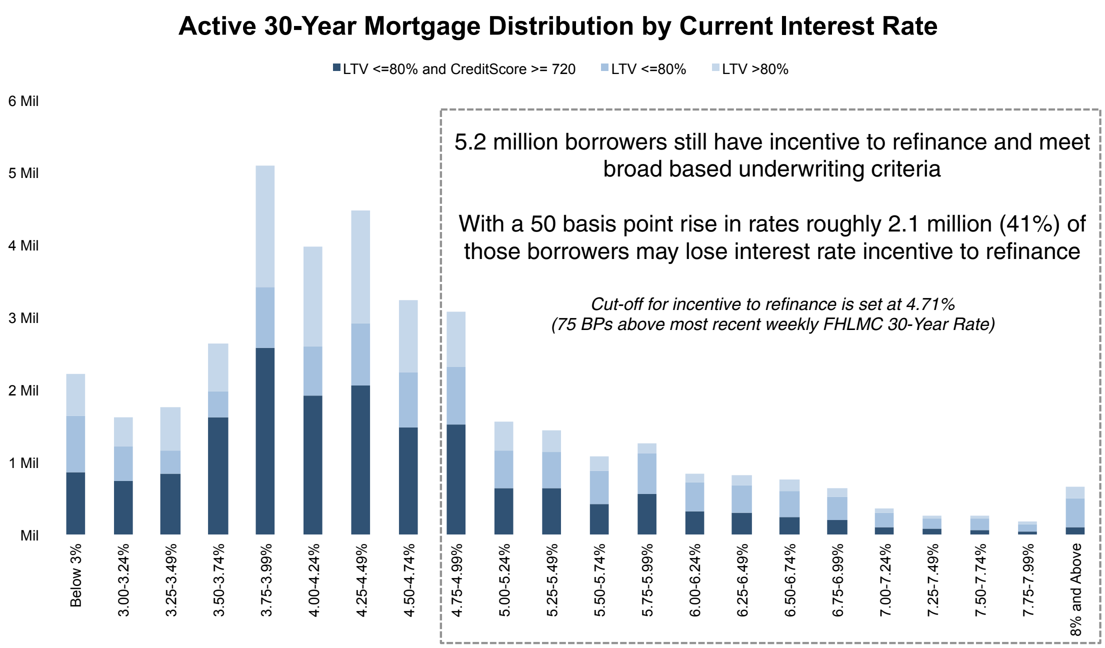
NOVEMBER FIRST LOOK FINDINGS



- Through November month-end, we've seen just under 1.2 million 90-day defaults; during that same span in 2014, there were nearly 1.6 million, which equates to nearly a 25 percent reduction
- Overall, 90-day defaults in November were up 27 percent seasonally from March, but are still 19 percent below last year's level
- The seasonal increase coming at the same time foreclosure starts are dropping is contributing to the rise in 90-day delinquent inventory over the past 2 months
- Judicial states continue to see 25-30 percent higher 90-day default rates than non-judicial states over the past 6 months

REFINANCEABLE POPULATION

Here, we perform an analysis of the population of 30-year mortgage holders who could both qualify for and benefit from refinancing at today's interest rates. In addition, we look at potential savings for refinance candidates, as well as examining the impact of rising interest rates on this population. 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.

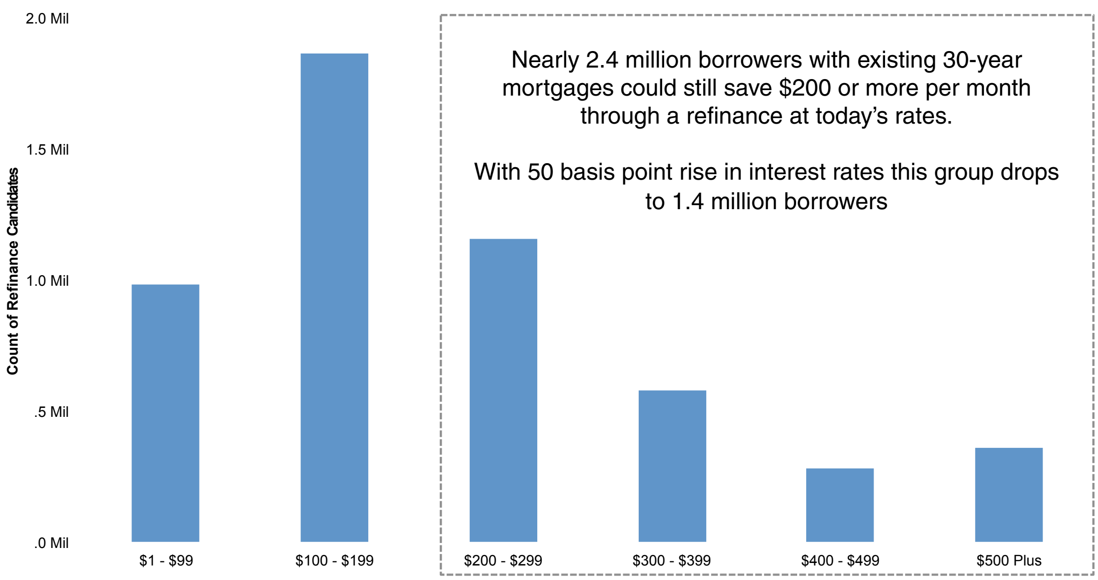


Limited to 30-year mortgage holders that are current on their monthly payments

- Looking at current interest rates on existing 30-year mortgages and applying broad-based underwriting criteria, there are still approximately 5.2 million potential refinance candidates – borrowers that could likely qualify for and benefit from refinancing
- This total is down from over 7 million as recently as April 2015, when 30-year fixed rates were below 3.7 percent; as of this analysis, the 30-year rate was 3.96 percent
- With a 50 basis point rise in rates, roughly 2.1 million (41 percent) of those borrowers may lose interest rate incentive to refinance
- At a 100 basis point increase, another 1 million borrowers disappear, leaving only 2 million, the lowest level of refinance candidates in recent history

REFINANCEABLE POPULATION

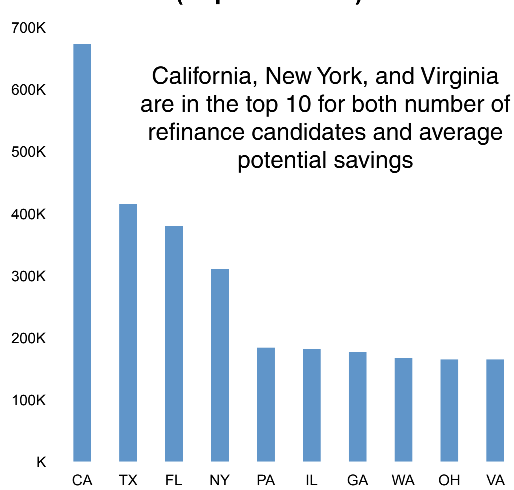
Estimated Savings Distribution of Refinance Candidates



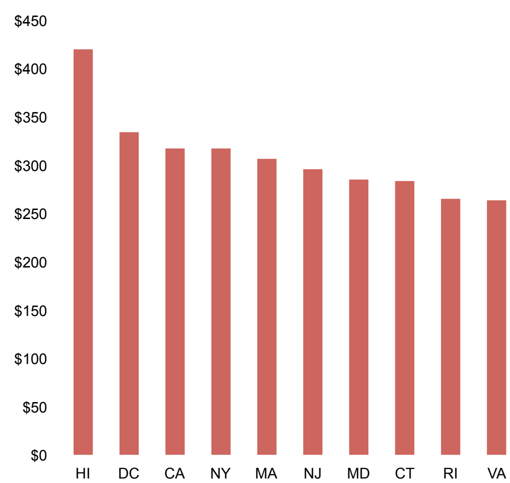
**Limited to 30-year mortgage holders that are current on their monthly payments*

- Nearly 2.4 million borrowers with existing 30-year mortgages could still save $200 or more per month through a refinance at today's rates
- A 50 basis point increase in interest rates would reduce that group by 42 percent to 1.4 million
- For 1 million potential refinance candidates, the savings are relatively marginal at less than $100 – a figure which may still have significant impact to some borrowers' budgets
- The largest share of borrowers (38 percent, or 1.9 million borrowers) are looking at monthly savings in the $100-$200 range
- Overall, there is approximately $1.2 billion in monthly savings available for the 5.2 million potential 30-year fixed rate refinance candidates

Refinance Candidate Volume (Top 10 States)



Average Potential Savings (Top 10 States)

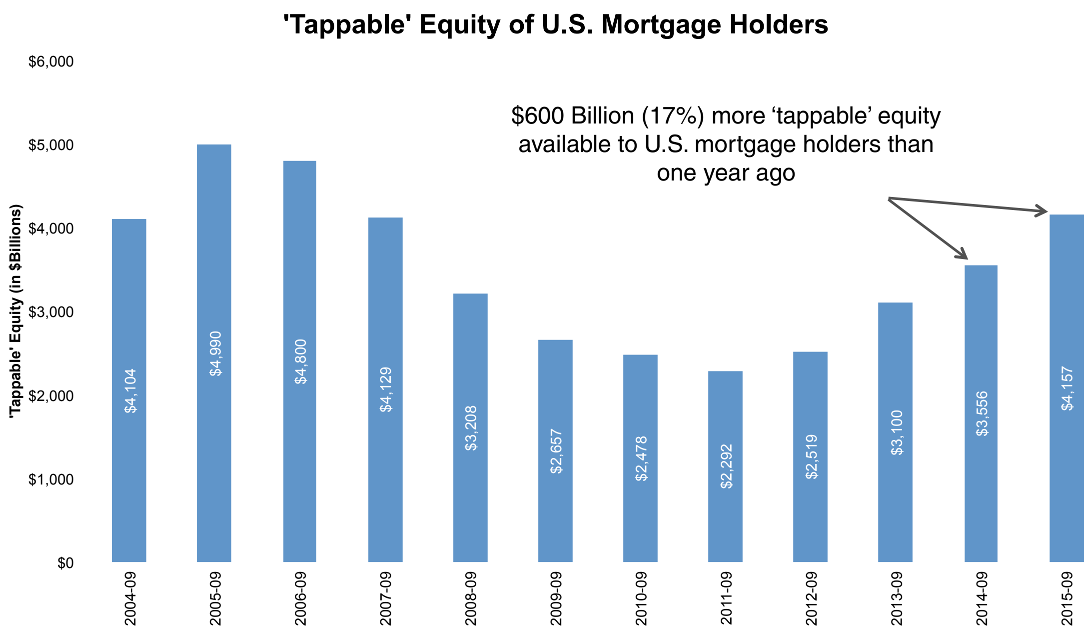


**Limited to 30-year mortgage holders that are current on their monthly payments*

- California leads the country with 670K refinance candidates, with an average potential savings of $317/month
- The top 10 states account for 54 percent of the nation's total refinance candidates by count
- California, New York, and Virginia are in the top 10 for both the number of refinance candidates and average potential savings

EQUITY GROWTH & 2ND LIEN HELOC ORIGINATION

Here, we combine data from the Black Knight Home Price Index alongside loan-level data from the company's McDash loan-level mortgage performance database to provide an update on the rise in "tappable" equity available to U.S. mortgage holders. In addition, we take a look at second lien HELOC origination trends and volumes. You may click on each chart to see its contents in high-resolution.

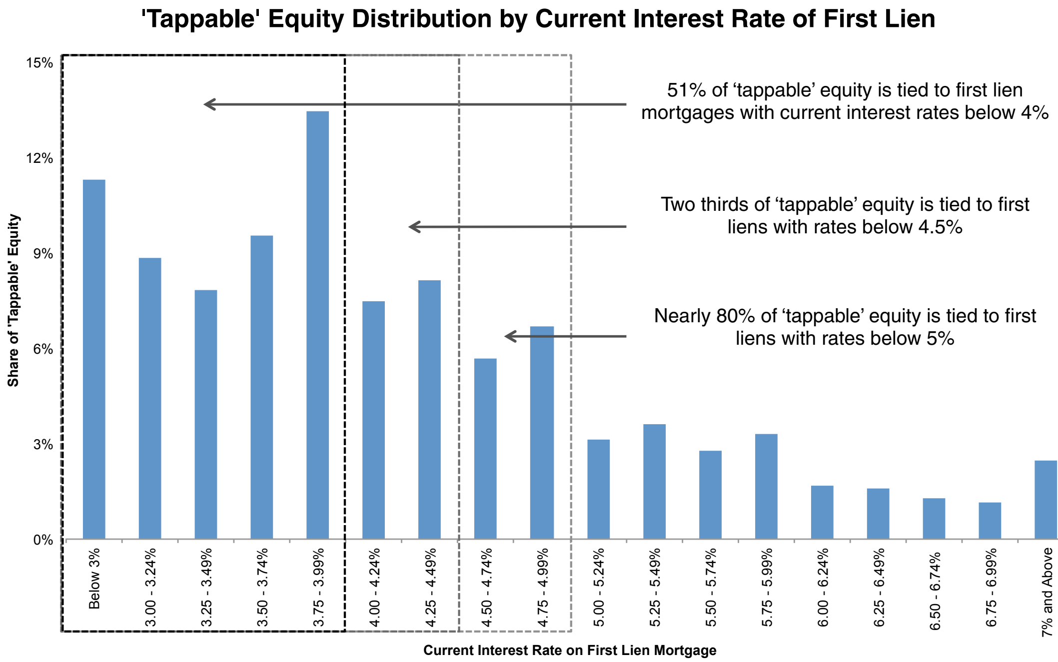


- ***Tappable Equity:*** *Equity available on a property with an existing mortgage before reaching a current CLTV of 80%*

**Equity figures have been revised from prior estimates based on the most recent data available*

- Looking at the nation's population of mortgage holders and comparing first and second lien debt against September property values, we see that the level of tappable equity has increased by $600 billion in the past year
- Using an upper limit of 80 percent total CLTV, including first and second liens, there are now roughly 37 million borrowers with an average of $112,000 in equity before hitting the 80 percent CLTV threshold
- While there is now nearly twice the amount of tappable equity available in the U.S. mortgage market as there was at the bottom of the housing market, after four consecutive years of equity growth, we're still roughly 17 percent below 2005 levels
- Nearly $1.6 trillion (38 percent) of the nation's tappable equity is in California alone; the next highest states are Texas and Florida, each accounting for approximately 6 percent of tappable equity

EQUITY GROWTH & 2ND LIEN HELOC ORIGINATION



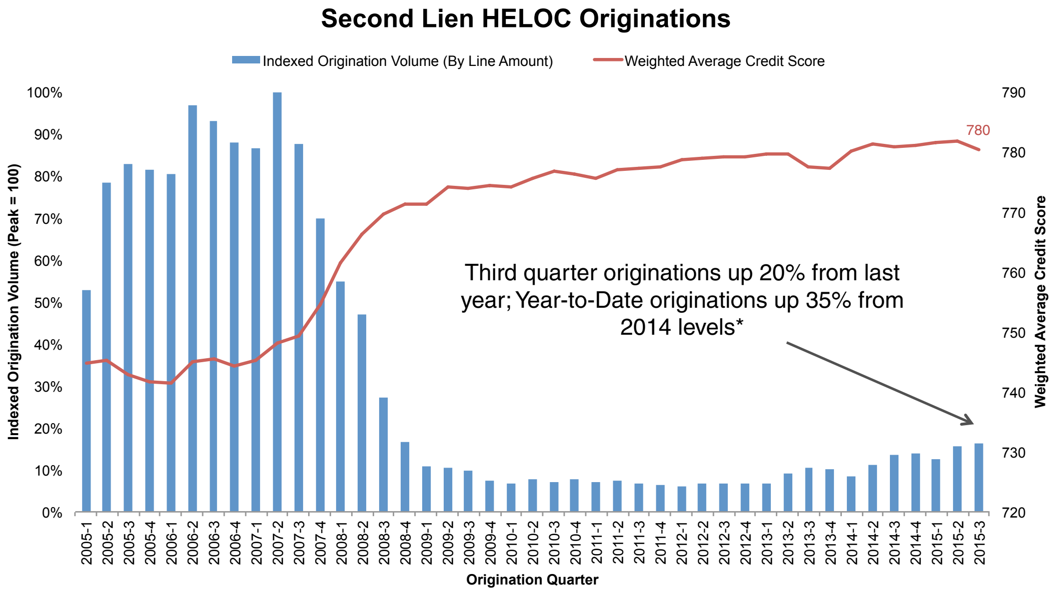
- ***Tappable Equity:*** *Equity available on a property with an existing mortgage before reaching a current CLTV of 80%.*

» As interest rates rise, so will the amount of tappable equity sitting on first lien mortgages below par; currently 51 percent of tappable equity is tied to first lien mortgages with current interest rates below 4 percent

» Conversely, roughly half of all of tappable equity belongs to borrowers with interest rates higher than today's 30-year rate – making them potential candidates for cash-out refis

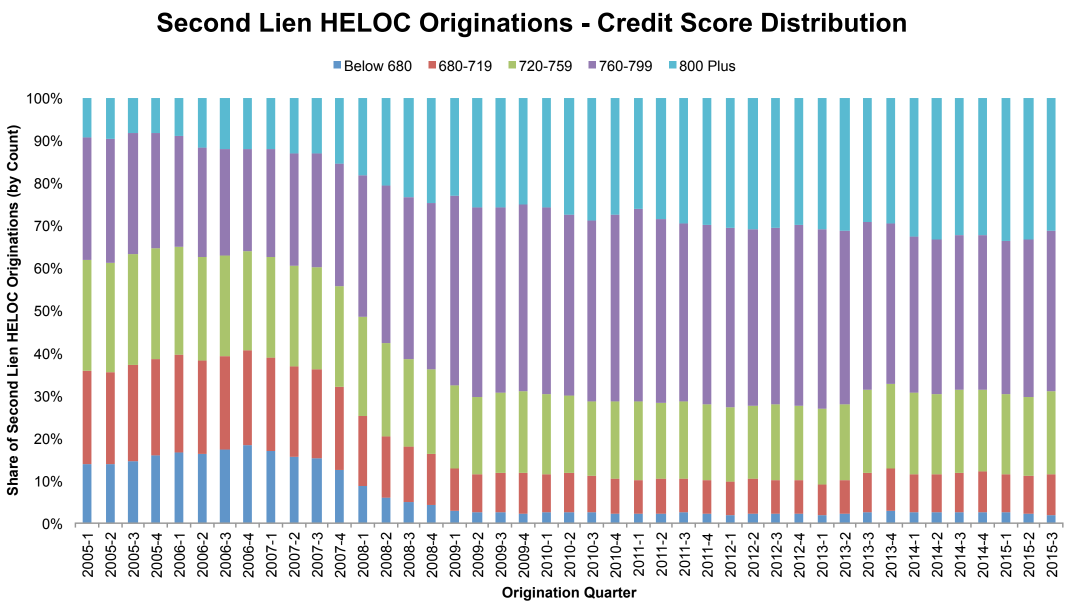
» While it's not a hard and fast rule that borrowers won't refinance into a higher rate in order to tap available equity – 23 percent of cash-out refi borrowers over the past 6 months did just that – for the most part, as rates rise, HELOCs will continue to become more popular to homeowners looking to tap available equity

EQUITY GROWTH & 2ND LIEN HELOC ORIGINATION



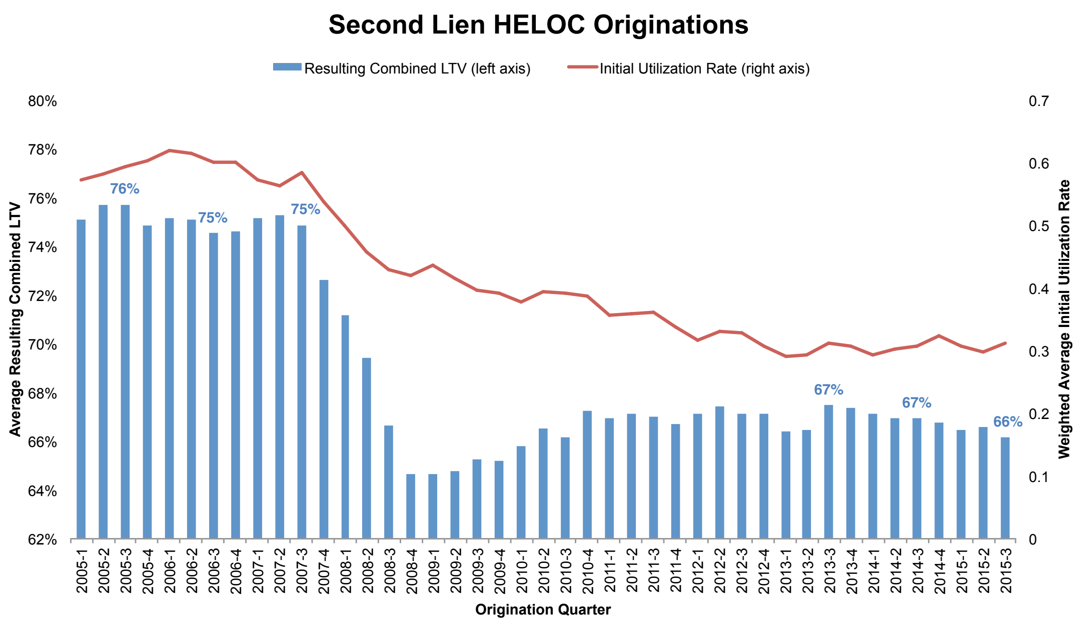
*Year-over-year increase calculated based on total line amounts originated

- Second lien HELOC originations continue to climb, and we've now seen year-over-year growth in each quarter since Q1 2013
- By line amount, Q3 2015 2nd lien HELOC originations are up 20 percent from last year and up 35 percent year-to-date; however, in terms of HELOC counts, the increase is not nearly as high – up 8 percent from Q3 2014 and 21 percent YTD
- While down a bit from Q2's record high, at 780, average credit scores on 2nd lien HELOCs remain near historic highs
- Second lien mortgage lending (as opposed to lines of credit) is relatively non-existent, and is down 10 percent from last year
- HELOC origination volume is still about 84 percent below where it was during bubble era peak

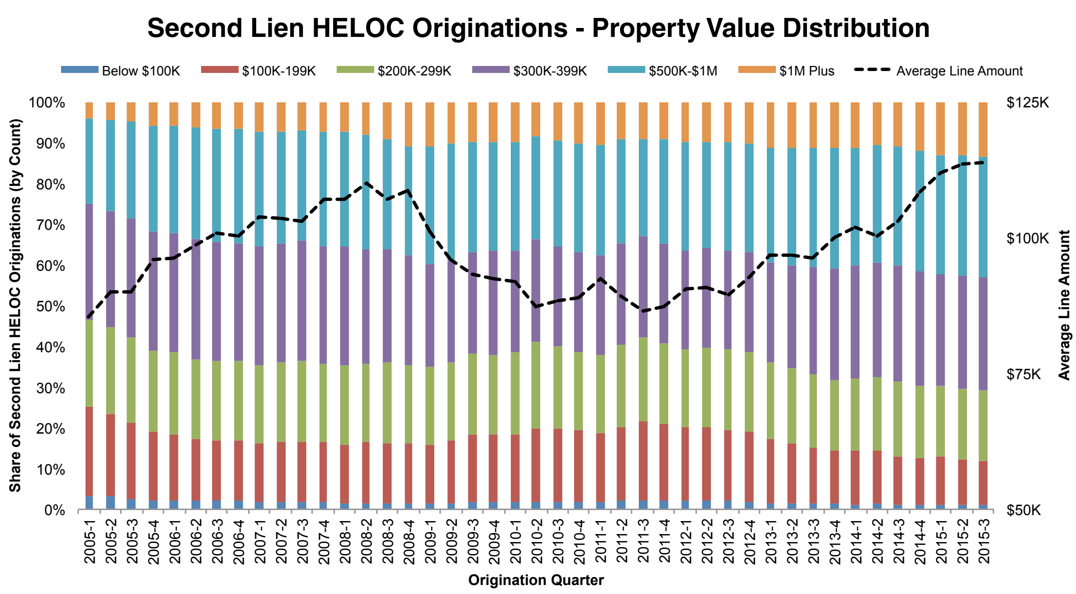


- Nearly 70 percent of HELOCs by count (and 75 percent by line amount) are going to borrowers with credit scores of 760 or higher
- Less than 2 percent of HELOC originations are going to borrowers with sub-680 credit scores, the lowest share in over 10 years
- The 680 to 719 credit score band only makes up roughly 10 percent of the market but was the second fastest growing credit segment in Q3 2015

EQUITY GROWTH & 2ND LIEN HELOC ORIGINATION



- The resulting post-HELOC origination CLTV of 66 percent is the lowest of any quarter since Q1 2010
- This CLTV level is very similar to what Black Knight has seen in relation to first lien cash-out refis, and is well below the 75-76 percent range for HELOCs seen during the bubble years (2005-2007)
- In addition, initial utilization rates on HELOCs (another important risk factor) are near 10-year lows



- The average 2nd lien HELOC line amount is nearly $114,000, the highest level on record
- Nearly 43 percent of lines today are on $500k+ properties, the highest share on record
- In comparison, roughly 35 percent of lines were on $500k+ properties when home prices were at their peak back in 2006
- Over 70 percent of HELOCs are being originated on properties with values above $300k
- Less than 12 percent of lines in Q3 were originated on homes worth less than $200k, the lowest share on record

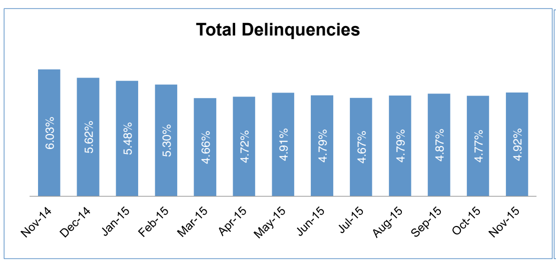
APPENDIX

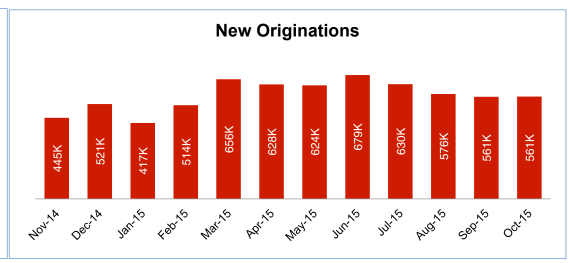
» November 2015 Data Summary

Summary Statistics

	Nov-15	Monthly Change	YTD Change	Yearly Change
Delinquencies	4.92%	3.18%	-10.19%	-18.26%
Foreclosure	1.38%	-3.24%	-21.38%	-21.24%
Foreclosure Starts	66,600	-9.02%	-28.62%	-9.76%
Seriously Delinquent (90+) or in Foreclosure	3.02%	-1.01%	-21.83%	-24.10%
New Originations (data as of Oct-15)	561K	0.1%	7.7%	9.5%

	Nov-15	Oct-15	Sep-15	Aug-15	Jul-15	Jun-15	May-15	Apr-15	Mar-15	Feb-15	Jan-15	Dec-14	Nov-14
Delinquencies	4.92%	4.77%	4.87%	4.79%	4.67%	4.79%	4.91%	4.72%	4.66%	5.30%	5.48%	5.62%	6.03%
Foreclosure	1.38%	1.43%	1.46%	1.48%	1.52%	1.56%	1.59%	1.63%	1.68%	1.72%	1.76%	1.75%	1.75%
Foreclosure Starts	66,600	73,200	79,900	76,200	71,500	78,100	77,400	70,400	92,200	77,200	93,300	91,500	73,800
Seriously Delinquent (90+) or in Foreclosure	3.02%	3.05%	3.08%	3.12%	3.18%	3.25%	3.33%	3.43%	3.51%	3.74%	3.86%	3.91%	3.97%
New Originations		561K	561K	576K	630K	679K	624K	628K	656K	514K	417K	521K	445K





» 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%

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	4.9%	1.4%	6.3%	-19.1%	National	4.9%	1.4%	6.3%	-19.1%	National	4.9%	1.4%	6.3%	-19.1%
MS	11.1%	1.4%	12.5%	-14.5%	TN	6.8%	0.6%	7.4%	-18.8%	NH	4.5%	0.8%	5.3%	-25.7%
LA	8.6%	1.6%	10.2%	-11.8%	HI	3.8%	3.6%	7.4%	-15.3%	IA	3.8%	1.2%	5.0%	-18.5%
NJ	5.6%	4.4%	10.0%	-21.8%	GA	6.6%	0.8%	7.4%	-17.0%	VA	4.3%	0.5%	4.8%	-17.5%
NY	5.3%	3.8%	9.0%	-20.3%	OH	5.6%	1.5%	7.1%	-18.5%	NE	3.9%	0.5%	4.4%	-19.0%
AL	8.0%	0.9%	8.9%	-15.5%	NM	4.7%	2.4%	7.1%	-12.0%	WA	3.1%	1.3%	4.4%	-20.9%
RI	6.7%	2.2%	8.8%	-19.8%	MA	5.1%	1.7%	6.7%	-22.0%	UT	3.8%	0.6%	4.4%	-19.0%
ME	6.0%	2.7%	8.8%	-17.2%	TX	6.0%	0.7%	6.7%	-13.0%	WY	3.5%	0.8%	4.3%	-10.0%
WV	7.5%	1.0%	8.4%	-15.6%	NC	5.6%	0.9%	6.5%	-17.7%	OR	2.7%	1.4%	4.1%	-23.8%
IN	6.4%	1.6%	8.0%	-16.7%	IL	4.7%	1.6%	6.3%	-21.9%	AZ	3.6%	0.5%	4.1%	-15.6%
FL	5.3%	2.6%	7.9%	-27.6%	NV	4.4%	2.0%	6.3%	-21.4%	CA	3.4%	0.6%	4.0%	-14.2%
PA	6.1%	1.8%	7.9%	-17.3%	KY	4.9%	1.4%	6.3%	-17.5%	ID	2.9%	0.9%	3.9%	-20.7%
AR	6.6%	1.3%	7.9%	-18.2%	KS	5.0%	1.1%	6.1%	-15.1%	MT	2.8%	0.7%	3.5%	-16.9%
DE	5.6%	2.3%	7.8%	-14.9%	MO	5.3%	0.7%	6.0%	-18.5%	SD	2.7%	0.7%	3.4%	-11.9%
OK	5.9%	1.9%	7.8%	-10.6%	VT	4.1%	1.9%	5.9%	-20.3%	MN	2.8%	0.4%	3.2%	-22.7%
SC	6.2%	1.3%	7.6%	-16.4%	DC	3.5%	2.2%	5.7%	-17.8%	CO	2.7%	0.5%	3.2%	-20.3%
CT	5.4%	2.1%	7.5%	-21.5%	WI	4.4%	1.2%	5.6%	-18.7%	AK	2.5%	0.4%	2.9%	-15.2%
MD	5.8%	1.6%	7.4%	-19.8%	MI	4.9%	0.5%	5.4%	-20.0%	ND	1.7%	0.5%	2.2%	-15.2%

** - 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