JUNE 2016 **REPORT**

MORTGAGE MONITOR

BLACK KNIGHT®
FINANCIAL SERVICES
DATA & ANALYTICS

CONTENTS

JUNE 2016 OVERVIEW

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

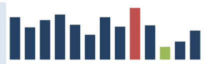
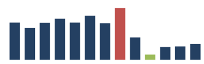
This month, as always, we begin a look at some of the high-level mortgage performance statistics reported in the company's most recent First Look report, with updates on delinquency, foreclosure, and prepayment trends. From there, we take a deeper dive into some key indicators to gauge mortgage performance through the first half of 2016.

Next, we return to the subject of refinanceable borrowers. After the United Kingdom voted to leave the European Union on June 23, 2016, increased investor interest in U.S. Treasury Bonds again drove down mortgage interest rates. In light of this development, we analyze the effect that new multi-year lows in rates are having on the population of 30-year mortgage holders who could both likely qualify for and benefit from refinancing. In addition, we look at the impact these developments may have on home affordability ratios. Finally, merging Black Knight's industry leading McDash loan-level mortgage performance database with Equifax ABS CRI Servicing loan level data, we review the rise in automobile debt held by mortgage holders, along with a mortgage performance comparison of borrowers with and without auto debt.

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.

JUNE FIRST LOOK FINDINGS

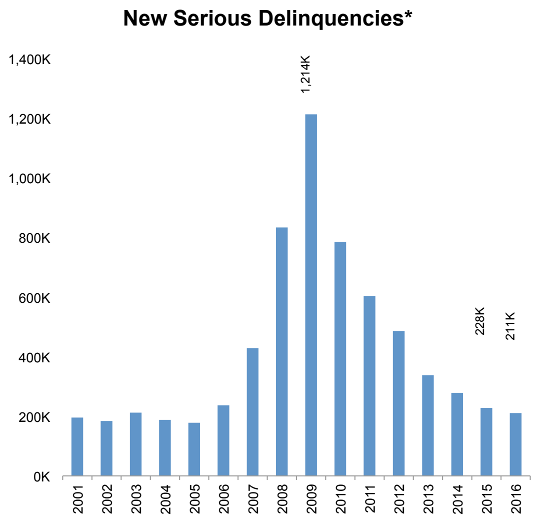
Here we have an overview of findings from [Black Knight's 'First Look' at June mortgage performance data](). This information has been compiled from Black Knight's [McDash]() loan-level mortgage performance database. You may click on each chart to see its contents in high-resolution.

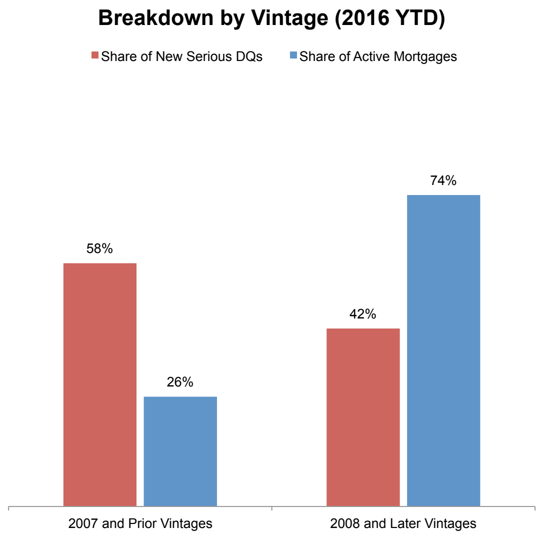
	Jun-16	Month-over-month change	Year-over-year change	12 Month Trend
Total U.S. loan delinquency rate (loans 30 or more days past due, but not in foreclosure):	4.31%	↑ 1.33%	↓ -10.03%	
Total U.S. foreclosure pre-sale inventory rate:	1.10%	↓ -2.57%	↓ -29.35%	
Total U.S. foreclosure starts:	69,300	↑ 11.59%	↓ -11.27%	
Monthly Prepayment Rate (SMM):	1.44%	↑ 10.30%	↑ 3.24%	
Foreclosure Sales as % of 90+:	2.31%	↑ 13.54%	↑ 20.65%	
Number of properties that are 30 or more days past due, but not in foreclosure:	2,178,000	↑ 25,000	↓ -237,000	
Number of properties that are 90 or more days past due, but not in foreclosure:	692,000	↓ -27,000	↓ -161,000	
Number of properties in foreclosure pre-sale inventory:	558,000	↓ -16,000	↓ -231,000	
Number of properties that are 30 or more days past due or in foreclosure:	2,736,000	↑ 9,000	↓ -468,000	

- » There was a typical seasonal monthly increase in the delinquency rate, as we've observed in five of the last six Junes; even with this rise, delinquencies are down 10 percent from last year
- » Early stage (30 and 60-day) delinquencies rose were up by approximately 50,000 from last month, while 90+ and active foreclosure inventories continued to decline
- » Foreclosure starts rose by nearly 12 percent from May but, even with the monthly increase, Q2 overall saw historically low levels of foreclosure starts
- » The monthly prepayment rate was up by 10 percent, indicating that refinance originations are finally gaining some traction; first time this year we've seen a year-over-year improvement in prepayment activity over 2015
- » 2009-2011 as well as 2014 vintage loans are seeing the highest prepayment speeds; there has also been an uptick in low credit score prepays, with sub-620 mortgages seeing the highest level of prepayments in nearly three years; from an investor perspective, GNMA-backed loans continue to outpace all other investor categories

Q2 2016 MORTGAGE PERFORMANCE

Here we take a look at some key indicators to gauge mortgage performance through the first half of 2016. 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.

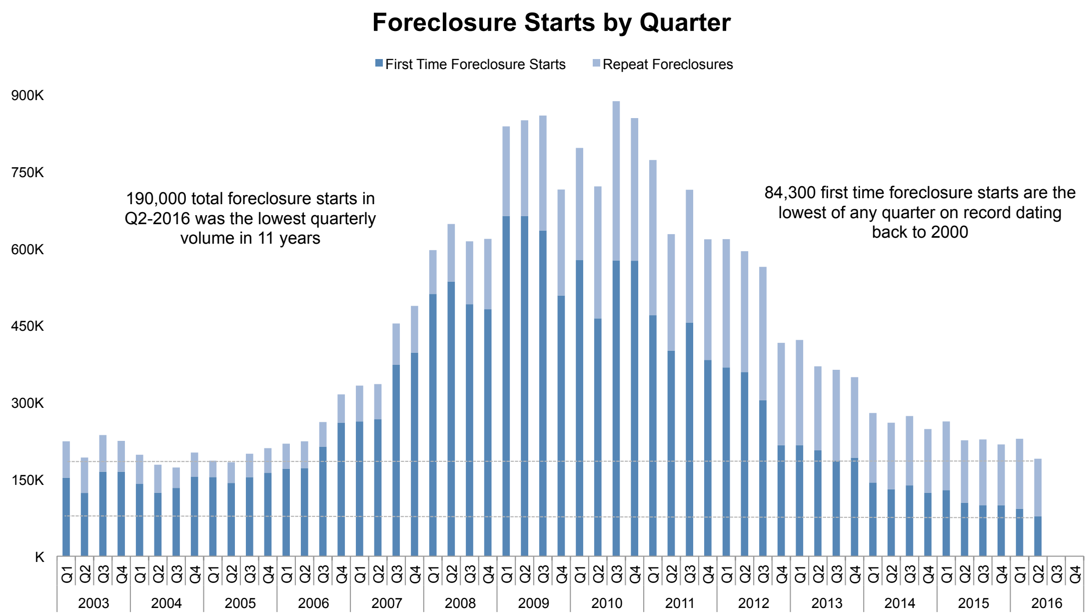




New Serious Delinquencies: Borrowers that were current on their mortgage at the beginning of the year that were 60+DQ as of June month-end

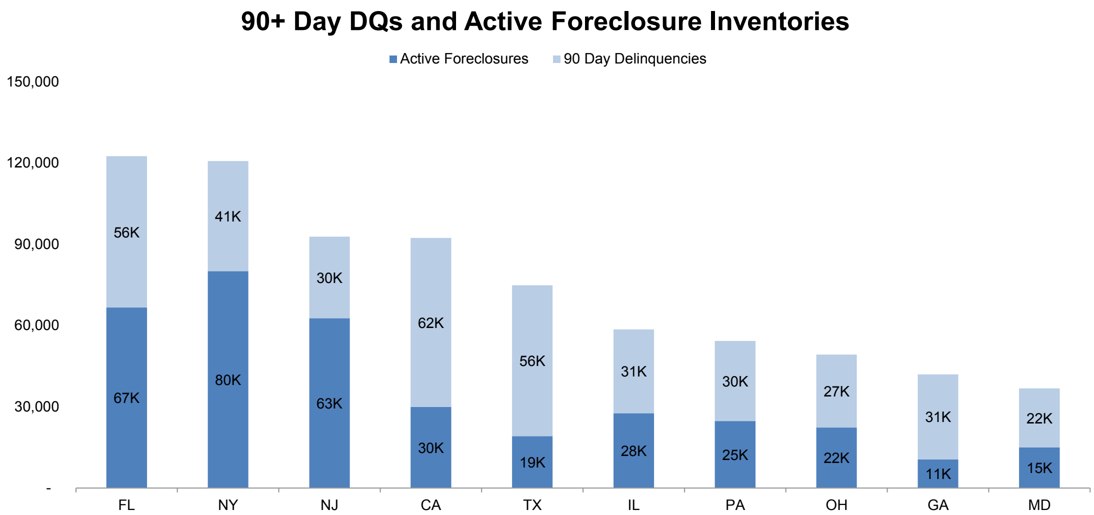
- Just over 210,000 borrowers that entered 2016 current on their mortgage payments are now 60 or more days delinquent; this is 17,000 below last year, but still about 10 percent above historical standards
- Nearly 60 percent of new seriously delinquent loans are coming from pre-crisis vintages (2007 and earlier), despite those vintages making up just 26 percent of active mortgages
- Over the first half of 2016, one of every 100 borrowers in a pre-2008 vintage mortgage that was current at the beginning of the year is now 60 or more days past due, as compared to just three out of every 1,000 borrowers in a 2008 or later vintage

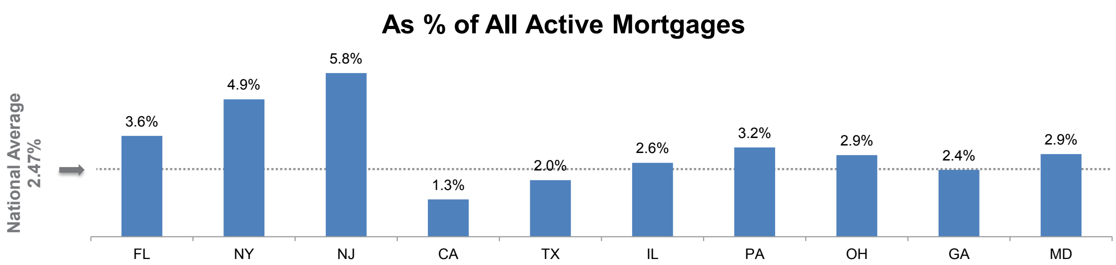
Q2 2016 MORTGAGE PERFORMANCE



- Total foreclosure starts have now reached historic norms, with Q2 2016 starts volume hitting an 11-year low
- Over 55 percent of foreclosure starts continue to be repeats as the industry continues to work through lingering inventory from the crisis
- Looking specifically at first time foreclosure starts, Q2 2016's 84,300 first time foreclosure starts represent a 20 percent decline from Q2 2015 and the lowest volume seen on record since at least 2000
- The second lowest quarter on record for first time foreclosure starts was Q1 2016, and Q2 represented a 16 percent decrease from that point
- April 2016 saw the lowest total foreclosure starts in 11 years and the lowest one-month volume of first time starts on record

Q2 2016 MORTGAGE PERFORMANCE

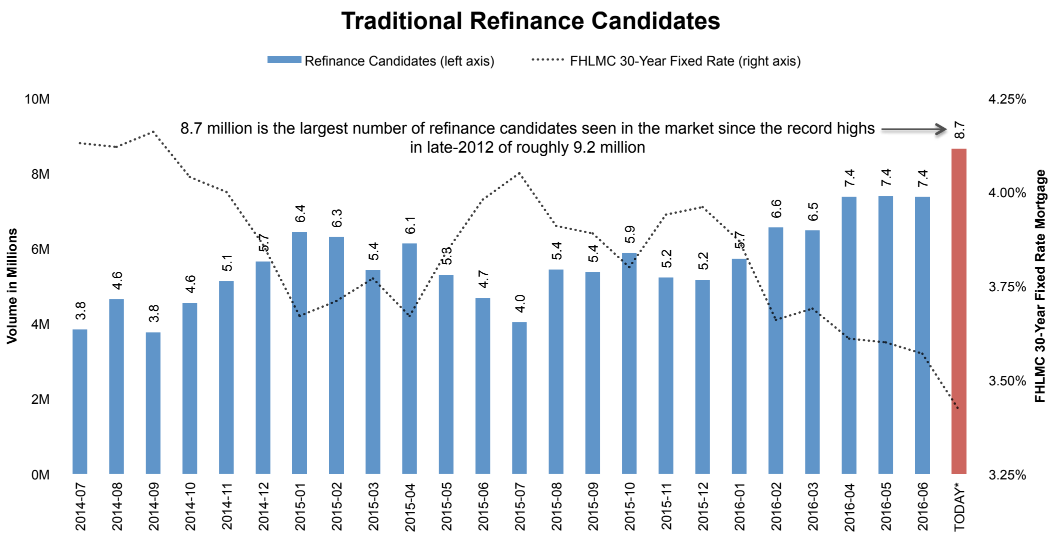




- Looking at the top 10 states ranked by 90+ delinquent and active foreclosure inventory, we see that Florida's troubled loan inventory is down 20 percent year-to-date
- Florida and New York have now reached near parity with regard to total troubled loan inventory, although New York has significantly more active foreclosures and its troubled loans make up a larger share of its total active mortgages
- New Jersey has the highest troubled loan rate in the country at 5.8 percent, and is improving at the 4th slowest rate of any state
- The top 3 states shown here account for 26 percent of the nation's troubled loan population and continue to be the focal point heading into the back half of 2016
- Other states with high troubled loan rates that did not make this list because of lower volumes include Mississippi (4.6 percent), Maine (4.5 percent), Hawaii (4.5 percent) and Louisiana (4 percent)

'BREXIT' IMPACT ON REFINANCE & AFFORDABILITY

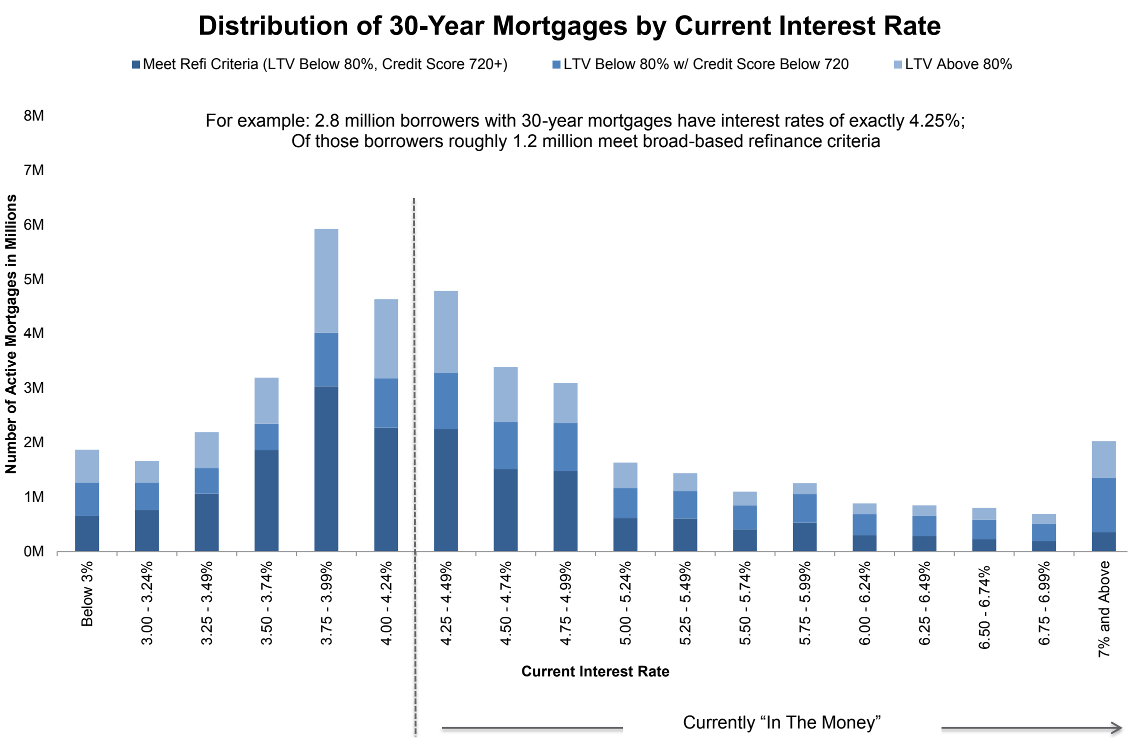
After the United Kingdom voted to leave the European Union on June 23, 2016, increased investor interest in U.S. Treasury Bonds again drove down mortgage interest rates. In light of this development, here we analyze the effect that new multi-year lows in rates are having on the population of 30-year mortgage holders who could both likely qualify for and benefit from refinancing. In addition, we look at the impact these developments may have on home affordability ratios. This information has been compiled from Black Knight's McDash loan-level mortgage performance database. and the Black Knight Home Price Index. 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 June 30th 2016 of 3.48%*

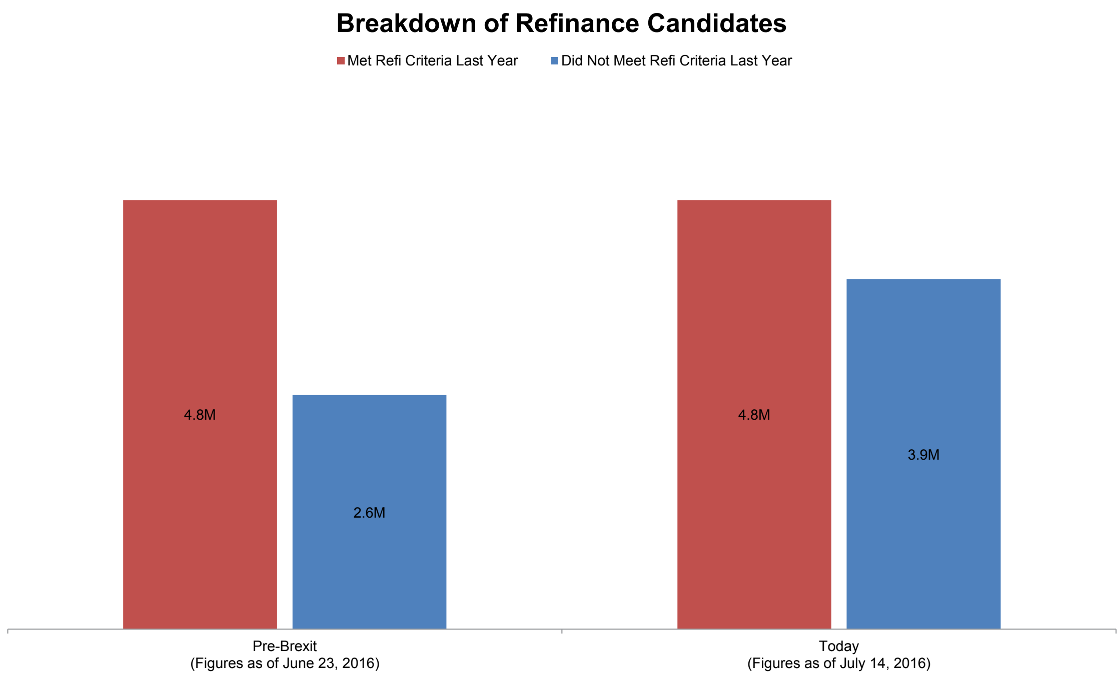
- Post-'Brexit' mortgage interest rates have only declined by about 15 basis points, but this has been enough to increase the number of refinance candidates in the market by 1.3 million borrowers
- Even prior to 'Brexit' there were roughly 1 million more refinance candidates in the market than when interest rates were at their lowest in early 2015; however, early 2016 refinance originations and prepayment speeds have hovered well below last year's levels
- The 8.7 million refinance candidates in the market today represent the largest such population since late 2012

'BREXIT' IMPACT ON REFINANCE & AFFORDABILITY



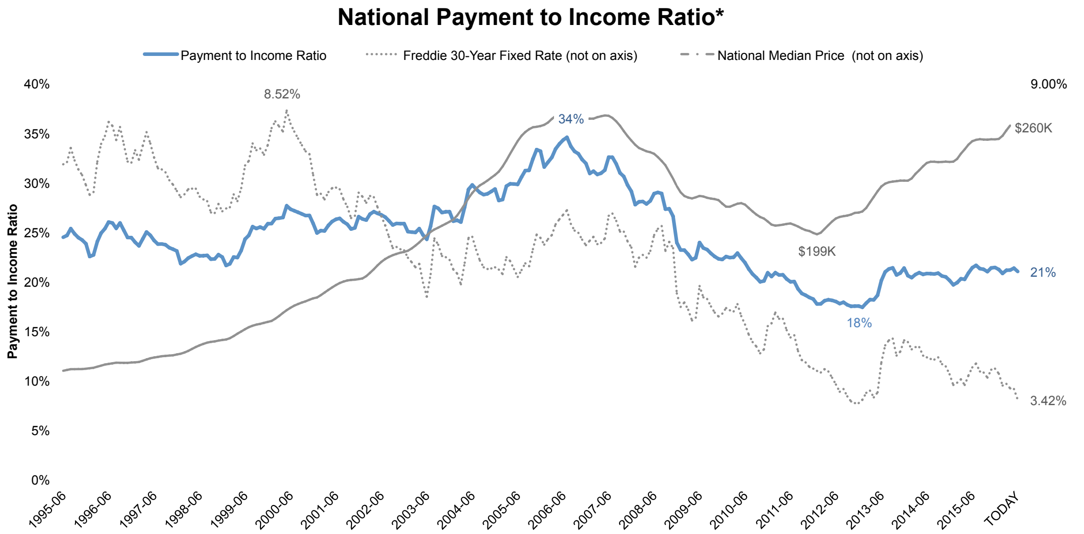
- Overall, 45 percent of borrowers with a 30-year mortgage (18.5 million) have a current interest rate between 3.5 and 4.5 percent; nearly 25 percent (9 million) have rates between 4 and 4.5 percent
- The 15 BPS post-‘Brexit’ drop pushed 2.8 million borrowers (over 1.2 million of whom meet refinanceable criteria) sitting right at 4.25 percent into “the money”
- We’ve used a 75 BPS cutoff to represent interest rate incentive to refinance in our analysis, but as rates are now below 3.5 percent there may be a portion of borrowers in the largest distribution (3.75 to 3.99 percent) that have incentive as well
- For example, a 25 BPS savings on a $300,000 mortgage would save a borrower $40 a month; potentially eliminating mortgage insurance premiums through refinancing could result in a much more significant impact

'BREXIT' IMPACT ON REFINANCE & AFFORDABILITY



- Not only has the number of borrowers that could benefit from a refinance increased 17 percent over the span of just a few weeks, but the impact is actually even more pronounced
- As we reported in the March 2016 Mortgage Monitor, prior to the past few weeks, 66 percent of refinance candidates could have both likely qualified for and had incentive to refinance in the spring of 2015 but for whatever reason didn't do so then either
- In contrast, nearly all of the post-'Brexit' growth stems from borrowers that didn't have incentive to refinance last spring, resulting in a nearly 50 percent increase in borrowers with newfound incentive to refinance
- This may well be creating a more pronounced impact on refinance applications and originations as these borrowers rush to take advantage

'BREXIT' IMPACT ON REFINANCE & AFFORDABILITY



Payment to Income Ratio is the percent of the median household income required to purchase the median priced home based using an 80% LTV 30-year fixed rate mortgage at the FHLMC 30-year rate.
TODAY reflects the Freddie 30-Year Fixed rate as of 7/14/2016 of 3.42%

» The 55 BPS reduction in rates seen over the first six months of this year would normally have done a great deal to increase home affordability ratios

» All else being equal, the monthly mortgage payment on the average priced home should be approximately $63 less per month than it was at the end of 2015; the post-'Brexit' decline alone would have decreased that payment by about $15 per month

» However, as home values continue to appreciate – at a 5.4 percent annual rate according to the most recent Black Knight Home Price Index report – the bulk of mortgage savings are being offset by rising prices

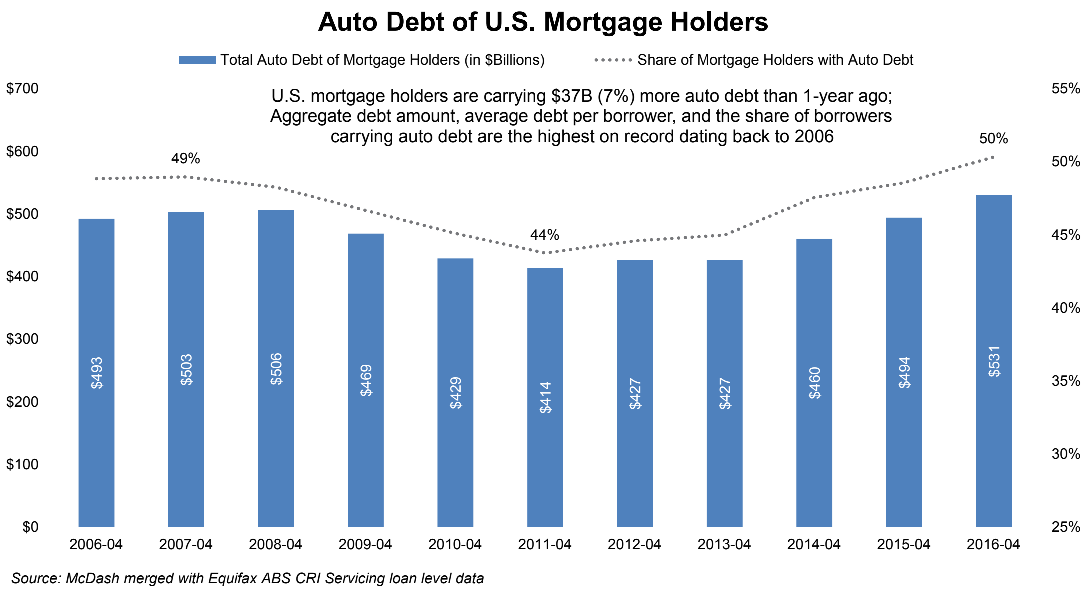
» Purchasing the median priced home today requires roughly 21 percent of the median household income; much less than at the height of the bubble, and below the 2000-2002 average of 26 percent

» It is important to keep an eye on what happens if interest rates begin to rise again – especially if sustained low rates continue to fuel home price appreciation as they have been

» Even if prices were to stay flat, a one percent rate increase would push affordability to 24 percent, while a two percent rate increase would put it well above the 2000-2002 average

AUTO DEBT & MORTGAGE PERFORMANCE

Here, merging Black Knight's loan-level mortgage performance database with credit bureau data, we review the rise in automobile debt held by mortgage holders, along with a mortgage performance comparison of borrowers with and without auto debt. This information has been compiled from Black Knight's McDash loan-level mortgage performance database and also leverages Equifax ABS CRI Servicing loan level data. You may click on each chart to see its contents in high-resolution.

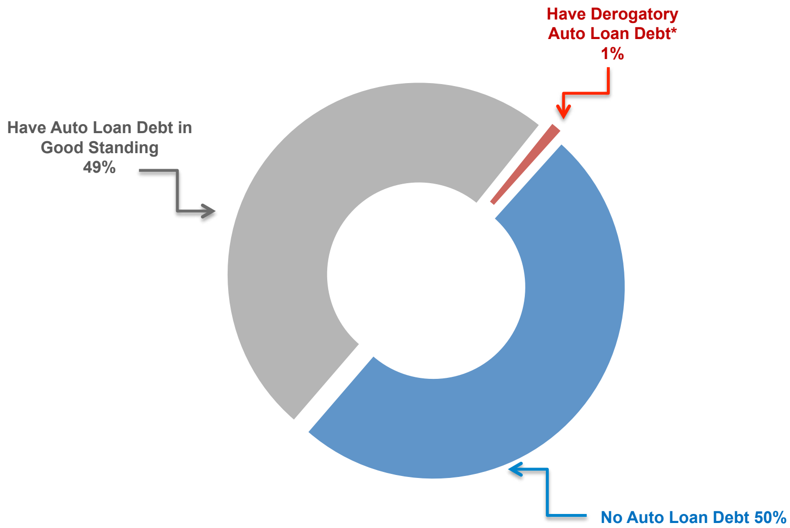


Source: McDash merged with Equifax ABS CRI Servicing loan level data

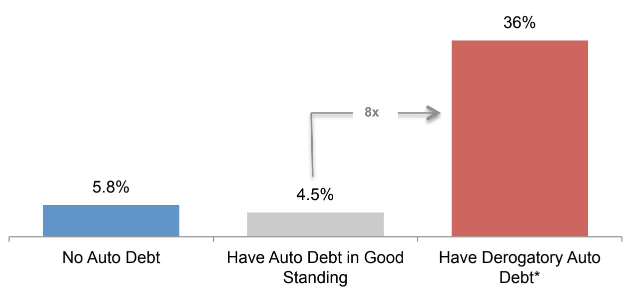
- The aggregate auto debt amount ($531 billion), average debt per mortgage borrower ($20,500) and the share of mortgage borrowers carrying auto debt (50 percent) are all the highest on record, dating back to at least 2006
- Total outstanding balances on auto loans are up nearly 30 percent from 2011 and average debt per borrower is up by nearly 20 percent
- However, the average monthly payment for borrowers with auto debt is up only five percent, or $25/month over the same period, due to extended financing terms and low interest rates
- The average monthly auto payment of $575 is actually lower than it was in 2007 and 2008 even though debt is higher today
- To put this in perspective with our May 2016 Mortgage Monitor analysis, the average student loan payment is up $165 (65 percent) over the past 10 years, while the average auto payment is just $10 higher than in 2006
- While borrowers with low credit scores are more likely to carry auto debt, we've actually seen the least growth in auto debt in that segment over the past five and 10 year marks

AUTO DEBT & MORTGAGE PERFORMANCE

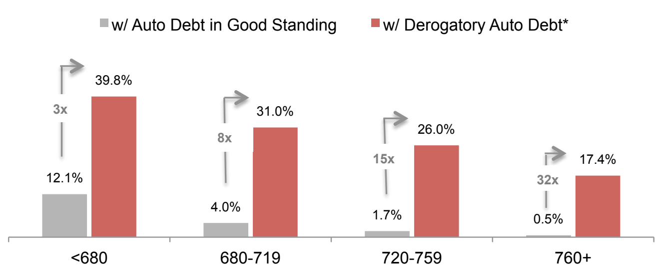
Active First Lien Mortgages



Non-Current Rate on Mortgages



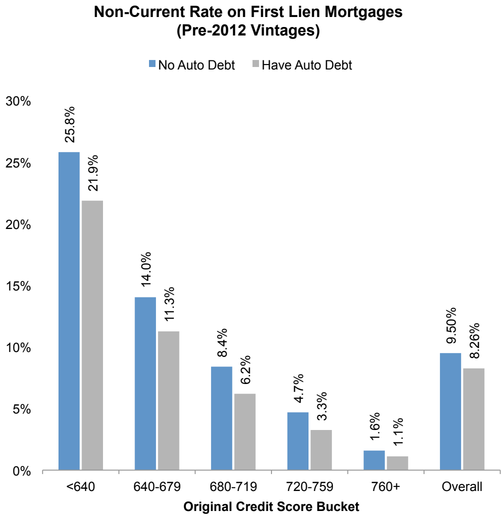
Non-Current Rate by Credit Score



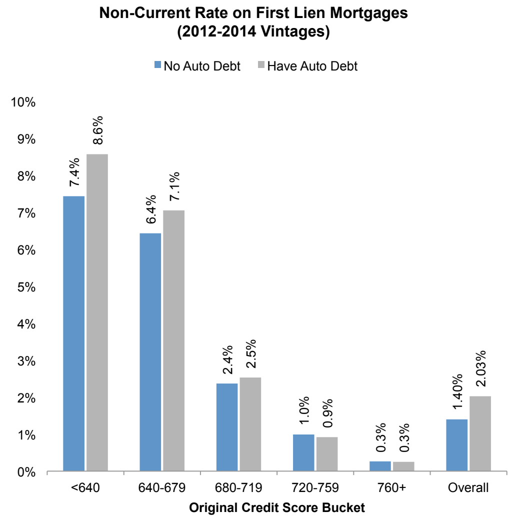
Source: McDash merged with Equifax ABS CRI Servicing loan level data
**Derogatory Auto Debt categorized as 90 or more days past due*

- » Fewer than one percent of all mortgage holders (roughly .9 percent, or 450,000 borrowers) are 90 or more days delinquent on auto debt
- » Borrowers who are seriously delinquent on their auto debt (90 or more days past due) are eight times more likely to be behind on their mortgage payments as well, a stronger correlation to delinquency than we saw last month with regard to student loan delinquencies
- » Borrowers with 760+ scores that are 90+ days delinquent on auto debt are 32X more to be behind on their mortgage payments than borrowers in good standing on their auto debt as compared to three times as likely for borrowers with credit scores of 680 or below
- » However, borrowers with auto debt in good standing actually have lower non-current rates on their mortgages than borrowers without, with 4.5 percent of the former being delinquent on their mortgage payments, as opposed to 5.8 percent for the latter

AUTO DEBT & MORTGAGE PERFORMANCE

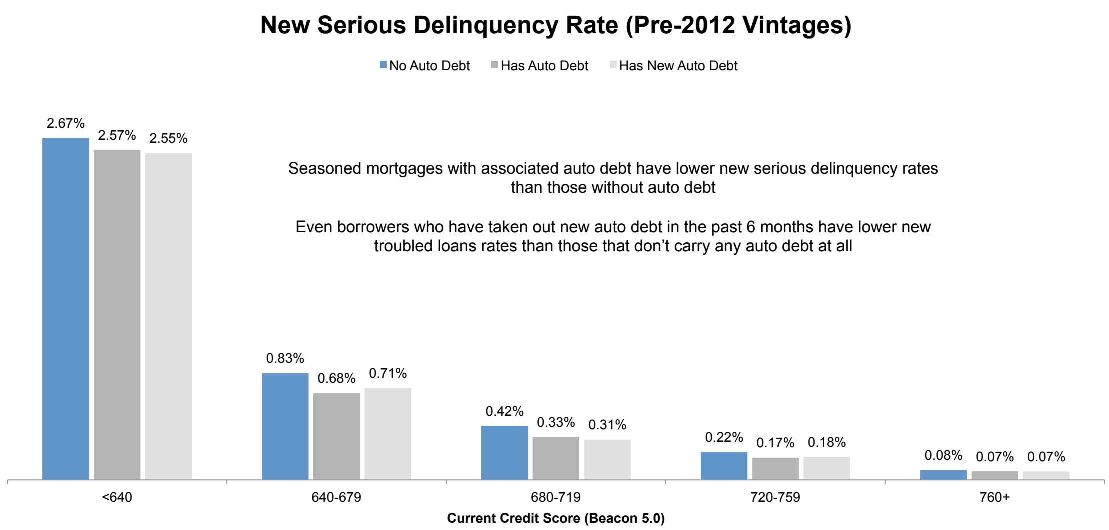


Source: McDash merged with Equifax ABS CRI Servicing loan level data



- Breaking the data down by vintage shows that borrowers in more seasoned vintages with active auto loans have lower non-current mortgage rates, but that trend begins to shift in more recent vintages
- In recent vintages (2012-2014), specifically in lower credit buckets, borrowers with auto debt actually have higher non-current rates than those without
- It does not appear to be anything inherent to these specific vintages; in fact, looking back historically, this appears to be a rolling trend impacting recent vintages at each snapshot in time

AUTO DEBT & MORTGAGE PERFORMANCE



Source: McDash merged with Equifax ABS CRI Servicing loan level data
New Serious Delinquency Rate: *The share of mortgages that were current 6 months ago and are now 60+ days delinquent*
****Has New Auto Debt:*** *Borrowers that have taken on additional auto debt in the 6 months prior to analysis*

- Looking at new serious delinquencies, we find that seasoned mortgages with associated auto debt have lower new serious delinquency rates than those without auto debt
- In fact, we see lower new troubled loan rates for borrowers with auto debt across the board than for those without, even seeing lower rates for borrowers who have recently taken out new auto debt than for borrowers with no auto debt (and in some cases, lower default rates than borrowers with more seasoned auto debt)
- All in all, this indicates that auto debt can be used as a risk indicator in historical vintages, and shows that tracking borrowers' non-mortgage spending can actually identify pockets of reduced risk and can be a more powerful tool for lenders than using updated credit scores alone

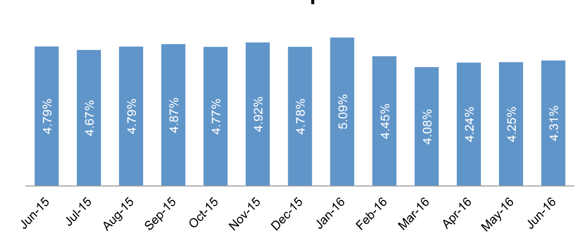
APPENDIX

» June 2016 Data Summary

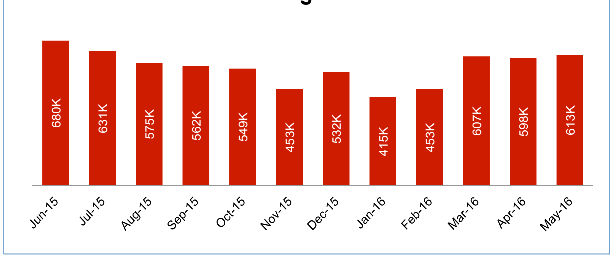
	Jun-16	Monthly Change	YTD Change	Yearly Change
Delinquencies	4.31%	1.33%	-15.46%	-10.03%
Foreclosure	1.10%	-2.57%	-15.35%	-29.35%
Foreclosure Starts	69,300	11.59%	-3.62%	-11.27%
Seriously Delinquent (90+) or in Foreclosure	2.47%	-3.13%	-16.13%	-23.97%
New Originations (data as of May-16)	613K	2.4%	15.2%	-2.0%

	Jun-16	May-16	Apr-16	Mar-16	Feb-16	Jan-16	Dec-15	Nov-15	Oct-15	Sep-15	Aug-15	Jul-15	Jun-15
Delinquencies	4.31%	4.25%	4.24%	4.08%	4.45%	5.09%	4.78%	4.92%	4.77%	4.87%	4.79%	4.67%	4.79%
Foreclosure	1.10%	1.13%	1.17%	1.25%	1.30%	1.30%	1.37%	1.38%	1.43%	1.46%	1.48%	1.52%	1.56%
Foreclosure Starts	69,300	62,100	58,700	72,800	84,300	71,900	78,100	66,600	73,200	79,900	76,200	71,500	78,100
Seriously Delinquent (90+) or in Foreclosure	2.47%	2.55%	2.62%	2.70%	2.82%	2.95%	2.97%	3.02%	3.05%	3.08%	3.12%	3.18%	3.25%
New Originations		613K	598K	607K	453K	415K	532K	453K	549K	562K	575K	631K	680K

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
1/31/2005	47,706,128	1,197,062	339,920	458,719	276,745	2,272,446	50,922	242	324	165.8%
1/31/2006	50,900,620	1,242,434	387,907	542,378	258,613	2,431,332	76,477	207	308	209.7%
1/31/2007	53,900,458	1,425,030	468,441	551,439	393,973	2,838,883	117,419	203	267	140.0%
1/31/2008	55,478,782	1,743,420	676,266	950,639	813,560	4,183,885	195,033	190	256	116.8%
1/31/2009	55,788,441	2,001,314	932,436	1,878,981	1,321,029	6,133,760	250,621	193	323	142.2%
1/31/2010	55,098,009	1,945,589	903,778	2,972,983	2,068,572	7,890,922	292,308	253	418	143.7%
1/31/2011	53,861,778	1,750,601	746,634	2,078,130	2,245,250	6,820,615	277,374	333	527	92.6%
1/31/2012	52,687,781	1,592,463	652,524	1,796,698	2,205,818	6,247,503	223,394	395	666	81.5%
1/31/2013	51,229,692	1,464,583	587,661	1,551,415	1,742,689	5,346,348	156,654	460	803	89.0%
1/31/2014	50,380,779	1,341,074	529,524	1,278,955	1,213,046	4,362,599	97,467	486	935	105.4%
1/31/2015	50,412,744	1,238,453	465,849	1,060,002	884,901	3,649,204	93,280	509	1,031	119.8%
1/31/2016	50,541,353	1,298,682	444,594	831,284	659,237	3,233,797	71,900	495	1,047	126.1%
2/29/2016	50,562,450	1,102,328	377,130	772,441	655,311	2,907,210	84,305	489	1,064	117.9%
3/31/2016	50,533,910	986,412	343,124	732,765	630,766	2,693,065	72,762	514	1,071	116.2%
4/30/2016	50,662,957	1,063,480	351,929	730,179	595,235	2,740,824	58,728	520	1,088	122.7%
5/31/2016	50,654,959	1,072,189	361,463	719,283	574,035	2,726,970	62,085	519	1,092	125.3%
6/30/2016	50,568,835	1,112,478	372,917	692,370	558,345	2,736,110	69,250	519	1,087	124.0%

APPENDIX

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

State		Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National		4.3%	1.1%	5.4%	-14.6%
MS		10.1%	1.1%	11.2%	-11.3%
LA	*	7.9%	1.3%	9.2%	-6.6%
NJ	*	4.8%	3.9%	8.7%	-15.3%
AL		7.2%	0.7%	8.0%	-9.9%
NY	*	4.5%	3.2%	7.7%	-17.0%
ME	*	5.2%	2.6%	7.7%	-15.6%
WV		6.9%	0.8%	7.7%	-7.7%
RI		5.7%	1.8%	7.4%	-18.2%
PA	*	5.5%	1.4%	7.0%	-12.4%
IN	*	5.7%	1.3%	7.0%	-12.9%
DE	*	5.1%	1.8%	6.9%	-12.3%
OK	*	5.3%	1.6%	6.9%	-8.5%
AR		5.8%	0.9%	6.7%	-14.7%
CT	*	4.7%	1.8%	6.6%	-13.1%
FL	*	4.5%	2.0%	6.5%	-22.1%
SC	*	5.2%	1.3%	6.4%	-13.1%
TN		6.0%	0.5%	6.4%	-16.0%

State		Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National		4.3%	1.1%	5.4%	-14.6%
GA		5.8%	0.6%	6.4%	-12.0%
MD	*	5.2%	1.2%	6.4%	-15.1%
OH	*	4.9%	1.3%	6.2%	-13.9%
HI	*	3.3%	3.0%	6.2%	-16.3%
NM	*	4.1%	1.9%	6.1%	-13.6%
TX		5.4%	0.5%	5.9%	-7.8%
MA		4.4%	1.4%	5.8%	-18.3%
NC		4.9%	0.7%	5.6%	-13.3%
VT	*	3.7%	1.8%	5.5%	-10.1%
KY	*	4.3%	1.1%	5.4%	-14.1%
IL	*	4.1%	1.2%	5.4%	-16.5%
KS	*	4.4%	0.9%	5.2%	-10.5%
MO		4.6%	0.6%	5.2%	-13.4%
NV		3.6%	1.5%	5.1%	-22.2%
DC		3.1%	1.9%	4.9%	-14.1%
WI	*	3.9%	0.9%	4.8%	-15.5%
MI		4.3%	0.3%	4.6%	-13.5%

State		Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National		4.3%	1.1%	5.4%	-14.6%
NH		3.9%	0.6%	4.5%	-18.7%
IA	*	3.5%	0.9%	4.4%	-12.6%
VA		3.9%	0.4%	4.3%	-11.9%
WY		3.5%	0.5%	4.1%	-3.9%
UT		3.4%	0.4%	3.8%	-14.5%
NE	*	3.3%	0.4%	3.7%	-18.5%
WA		2.6%	0.9%	3.5%	-23.2%
OR		2.4%	1.1%	3.5%	-23.0%
AZ		3.0%	0.4%	3.4%	-11.5%
CA		2.9%	0.4%	3.3%	-10.8%
AK		2.9%	0.4%	3.2%	-3.2%
ID		2.6%	0.7%	3.2%	-17.4%
MT		2.5%	0.6%	3.0%	-12.0%
SD	*	2.4%	0.6%	3.0%	-10.9%
MN		2.5%	0.3%	2.8%	-15.2%
CO		2.3%	0.3%	2.6%	-19.6%
ND	*	1.9%	0.5%	2.4%	9.7%

** - Indicates Judicial State*

DISCLOSURES

Please refer to the links below for specific disclosures relating to Product Definitions, Metrics Definitions and Extrapolation Methodology.

>> PRODUCT DEFINITIONS

>> METRICS DEFINITIONS

>> EXTRAPOLATION METHODOLOGY