

AUGUST 2014 REPORT



MORTGAGEMENT MONITOR

CONTENTS

- 1 |** *AUGUST 2014 OVERVIEW*
- 2 |** *PREPAYMENT ACTIVITY & CREDIT SCORE FOCUS*
- 3 |** *MORTGAGE VINTAGE PERFORMANCE*
- 4 |** *FORECLOSURES AND MODIFICATIONS*
- 5 |** *SERIOUSLY DELINQUENT INVENTORY & TIMELINES*
- 6 |** *APPENDIX*
- 7 |** *DISCLOSURES*



AUGUST 2014 OVERVIEW

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

In this edition of the Mortgage Monitor, Black Knight looks at mortgage performance data as it relates to prepayment activity (historically a good indicator of refinance activity), how that activity is playing out across different credit score categories and its impact on average loan age. The report also examines mortgage performance trends related to delinquency rates, broken out by origination vintages, while also looking at the particular performance of lower credit score borrowers.

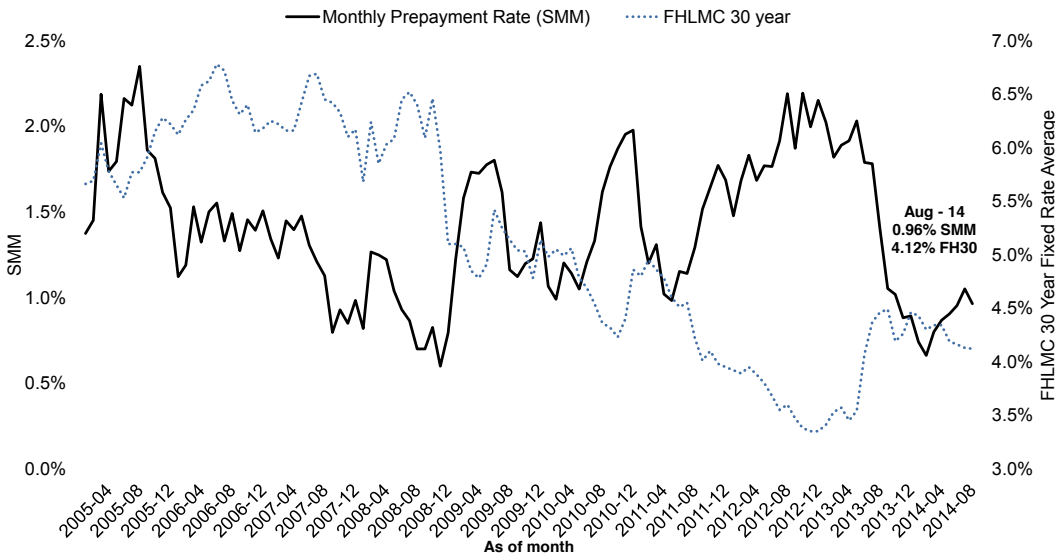
In addition, this month's Mortgage Monitor analyzes overall trends in foreclosure inventory, while zeroing in on a particular group of loans – those that were in foreclosure in December 2013 – to see how they have progressed in the eight months since, and using that insight as a springboard to look into modified loans and their re-default rates. Finally, Black Knight reviewed both the timelines associated with, as well as the makeup of the seriously delinquent inventory (90+ days past due) as of August.

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.

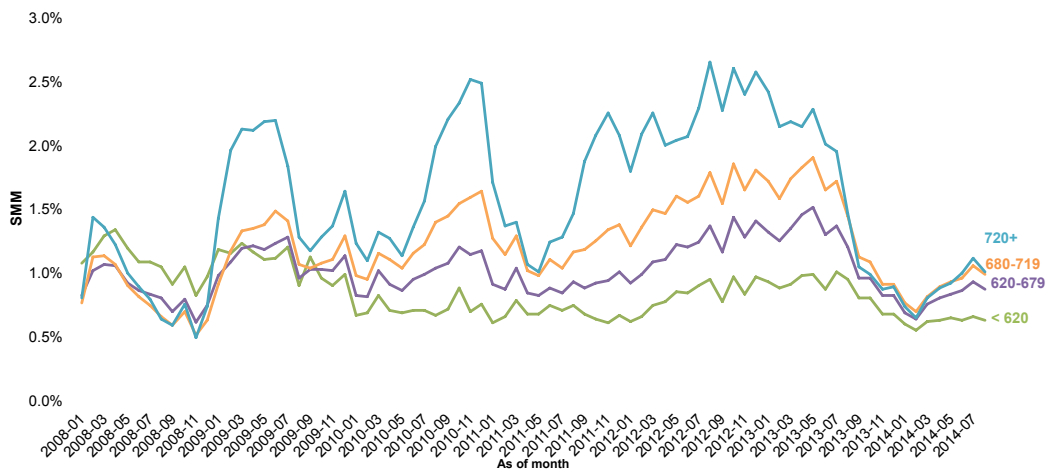


PREPAYMENT ACTIVITY

Here we look at trends and highlights related to mortgage prepayment activity. The data behind the following charts 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.



- » Despite low interest rates, prepayment activity (historically a good indicator of refinance activity) remains low compared to other periods of low - and not so low - rate environments
- » August saw the first decline in the Single Month Mortality (SMM) rate in seven months
- » SMM reflects the percentage of outstanding principal of all mortgages that are prepaid in a given month



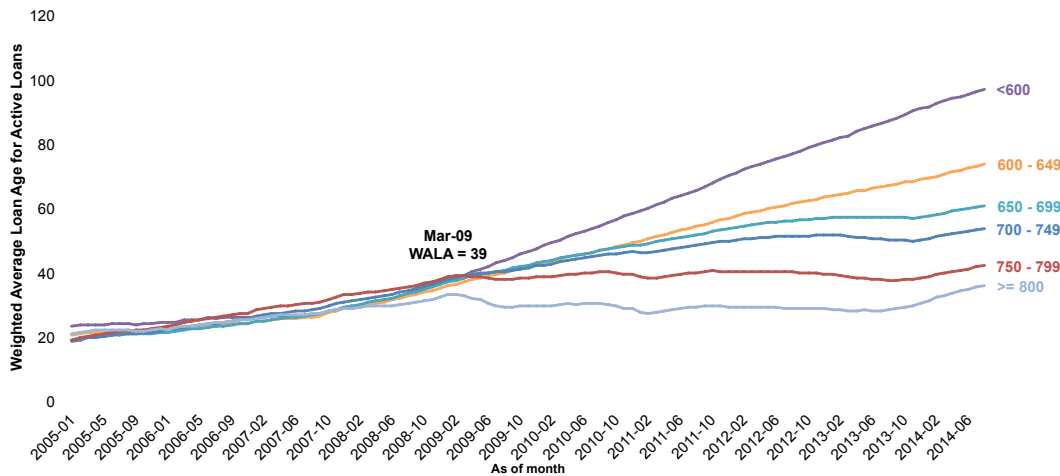
- » There has been little movement in prepayment rates among loans with lower borrower credit scores, which have remained relatively flat since the beginning of the year
- » There was an upward trend in prepayment activity in 2014 among borrowers with higher credit scores, most pronounced in credit scores of 690 and above, but the latest data shows a pullback even among these groups



PREPAYMENT ACTIVITY



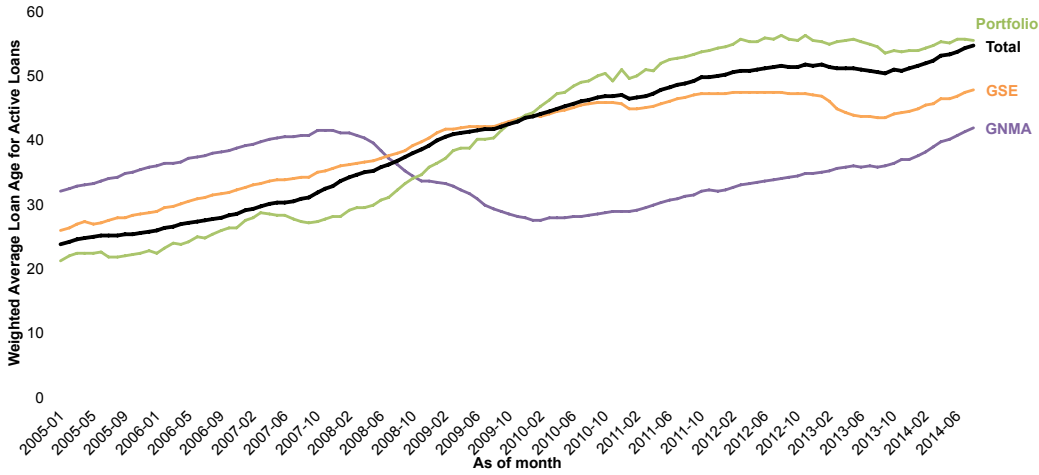
- » The share of purchase originations with high borrower credit scores is at an all time high
- » For much of the past six years, the share of refinance originations with higher credit scores was significantly higher than for purchase originations



- » Looking at weighted average loan ages among different credit score groups, we see that it differs significantly by group
- » Low credit score borrowers (below 600) have by far the greatest weighted average loan age, at nearly 100 months
- » The highest credit bands (>=750) have seen average loan age remain relatively constant for the last five years



PREPAYMENT ACTIVITY

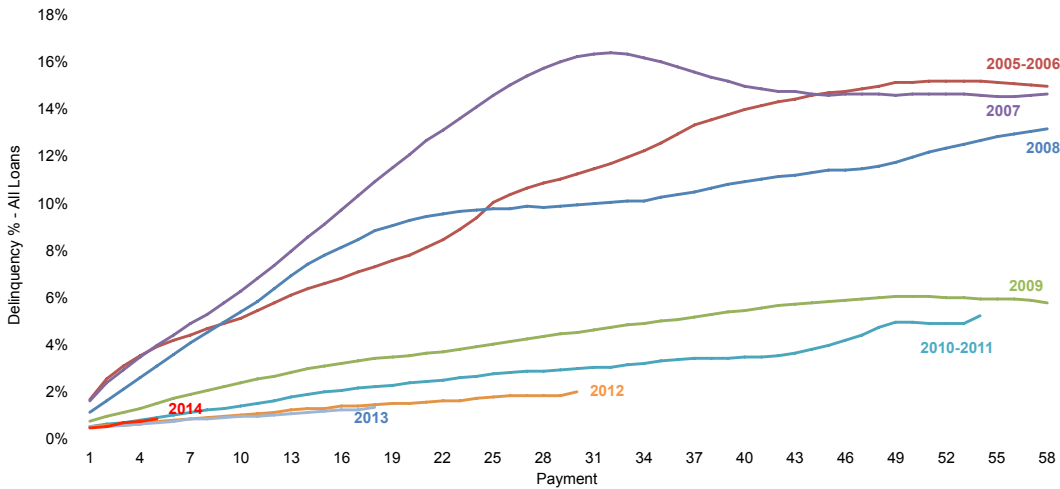


- » Looking at the entire active mortgage universe, we see that average loan age has been rising steadily for at least the last nine years, hitting an all-time high of 54 months in August
- » A resurgence in new originations temporarily impacted loan age in 2013 - however, new loan volume has not been enough to offset older mortgage population
- » Breaking out loan age by investor category, we can clearly see a strong dip in GNMA loan ages in 2009, as FHA stepped in to fill the void of origination opportunities in the wake of the financial crisis and associated credit crunch

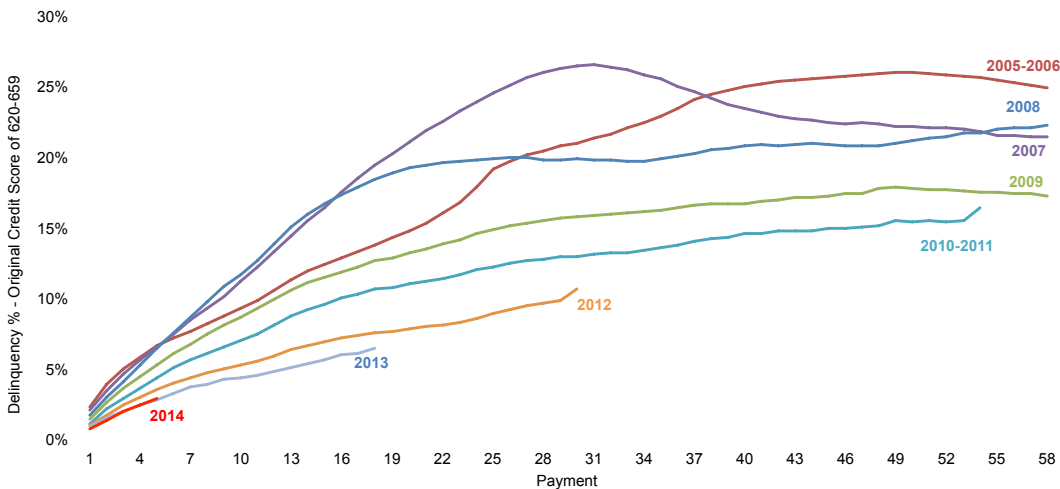


MORTGAGE VINTAGE PERFORMANCE

Here we look at mortgage performance trends related to delinquency rates, broken out by origination vintages, while also looking at the particular performance of lower credit score borrowers. The data behind the following charts 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.



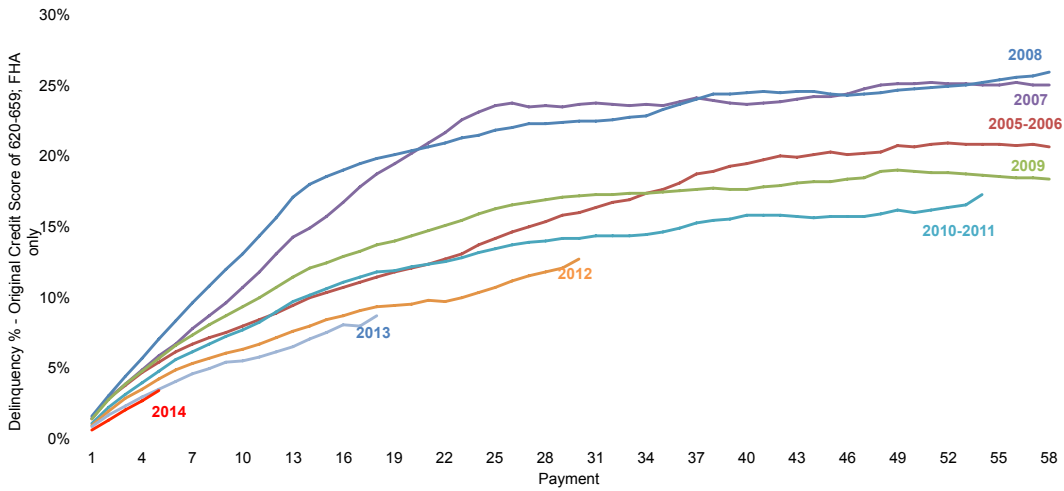
- » Delinquency rates among loans originated between 2012-2014 are lower than any of the past seven years
- » 2012-2014 vintage loans are outperforming 2009-2011 vintages at comparable points in the life of the loan, and are eclipsed by the delinquency rates seen among 2005-2008 vintages



- » 2012-2014 vintage loans are outperforming earlier vintages even among lower credit score borrower groups
- » Looking at loans with credit scores of 620 to 659, we see recent originations registering significantly lower delinquency rates than earlier vintages at comparable points in the life of the loan



MORTGAGE VINTAGE PERFORMANCE

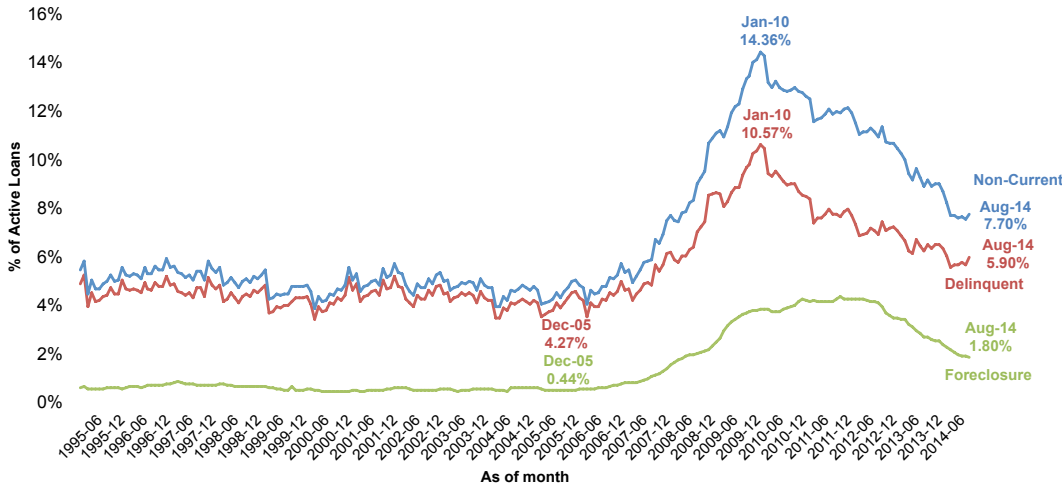


- » Subdividing the same lower credit score group to represent only FHA mortgages, we see all early stage delinquencies to be lower than pre-2012 vintages
- » While not as pronounced as among the general 620-659 credit score group, FHA loans in this credit band are also showing lower delinquency rates than their predecessors at comparable points in the life of the loan

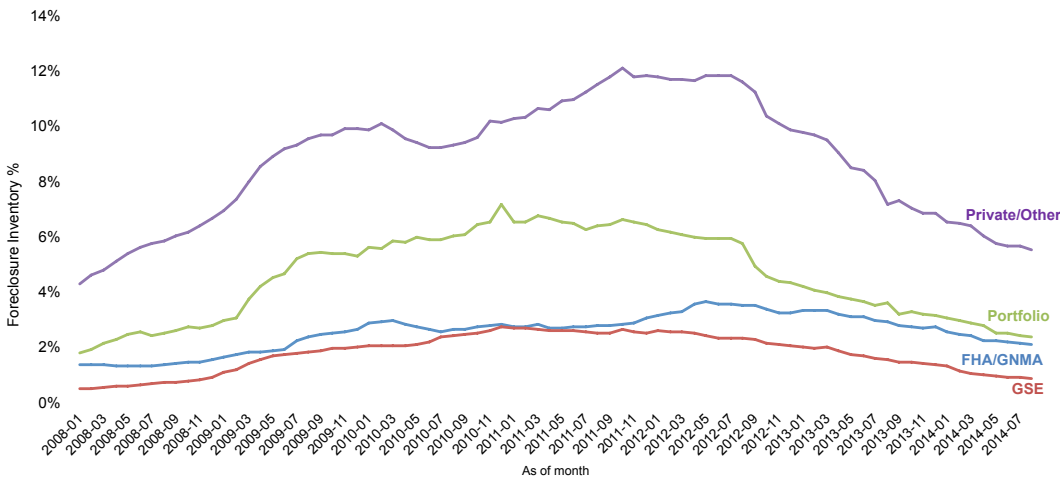


FORECLOSURES AND MODIFICATIONS

Here we look at overall trends in foreclosure inventory, while zeroing in on a particular group of loans – those that were in foreclosure in December 2013 – to see how they have progressed in the eight months since. In addition, we examined modified loans and re-default rates. The data behind the following charts has been compiled from Black Knight’s McDash loan-level mortgage performance database as well as its Loss Mitigation Module. You may click on each chart to see its contents in high-resolution.



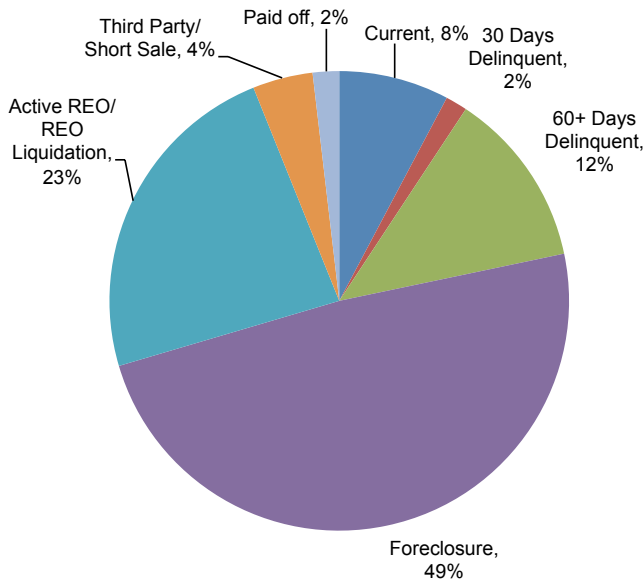
- » Foreclosure and delinquent mortgage inventories continue to show long-term trends of improvement
- » All indicators show significant improvement from recorded highs amidst the mortgage crisis



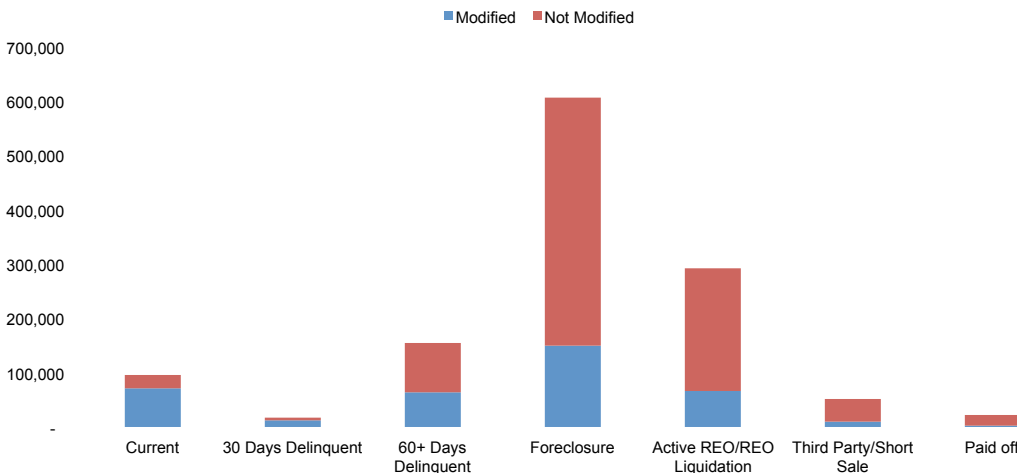
- » Looking at trends in foreclosure inventory across investor types, we see the percentage of loans in foreclosure has come down across the board
- » The GSEs have the lowest share of loans in foreclosure, and indeed have throughout the crisis years
- » Loans held by portfolio and private investors have historically had a significantly higher percentage of their respective portfolios in foreclosure than other investor categories; of the two, the portfolio group has seen a much more pronounced improvement in the share of loans in foreclosure since the highs of 2010
- » While still high as compared to other loan types, privately held loans have seen a very significant decline in the share of loans in foreclosure



FORECLOSURES AND MODIFICATIONS



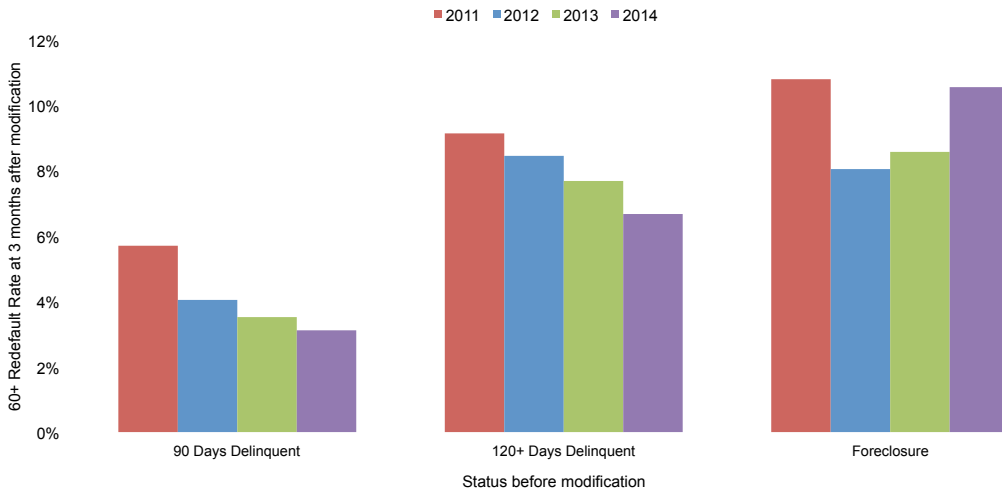
- » Black Knight looked at loans that were in foreclosure in December of 2013, to ascertain where those loans stood as of August
- » 49 percent of loans that were in foreclosure in December 2013 remain in that status
- » 23 percent are either in REO or have been liquidated through REO
- » A small fraction - 8 percent - have reverted to current status since December, while an additional 14 percent are 30 or more days delinquent



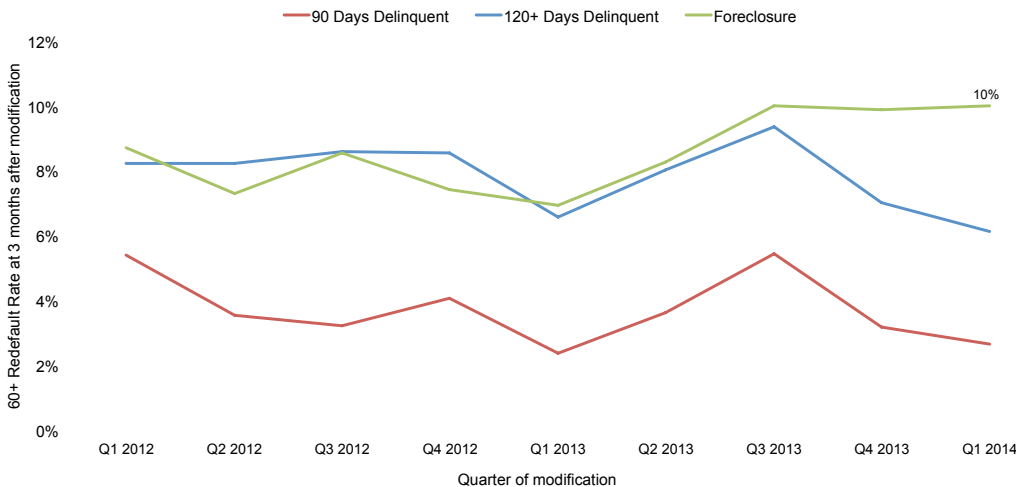
- » This slide looks more closely at the 49 percent of loans that were in foreclosure in December 2013 by their latest status
- » The data shows that 25 percent of those that remain in foreclosure status as of August had been modified at some point and re-defaulted, ultimately back into foreclosure
- » Notably, a much higher share of loans - 74 percent - that were in foreclosure and are now current were also modified



FORECLOSURES AND MODIFICATIONS



- » Black Knight found the three-month re-default rate on 2014 modifications of loans in foreclosure to be the highest since 2011
- » This held true only for modifications on loans in foreclosure, though, as re-default rates on modifications of loans in delinquent statuses of both 90 days and 120 days or more past due actually declined again in 2014, as they have for the last four years.

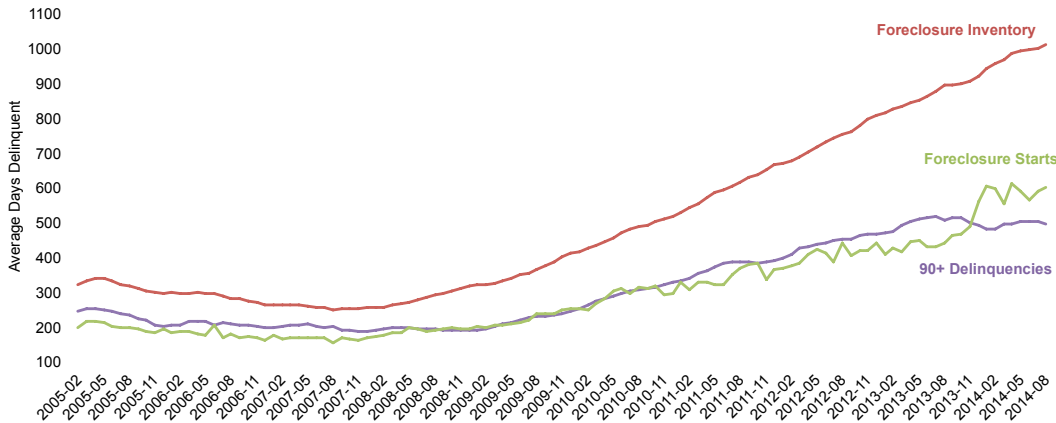


- » Looking a bit more closely, we see that 10 percent of the most recent modifications (Q1 2014) on loans in foreclosure end up distressed three months later
- » Compare this to modifications undertaken in the various stages of serious delinquency (90 days delinquent and 120 or more days past due) where re-default rates are substantially less



SERIOUSLY DELINQUENT INVENTORY

Here we look at both the timelines associated with, as well as the makeup of, the seriously delinquent inventory (90+ days past due). The data behind the following charts has been compiled from Black Knight's McDash loan-level mortgage performance database. You may click on each chart to see its contents in high-resolution.



- » The average days delinquent for loans in foreclosure hit a new high in August, at 1,010 days
- » In contrast, the timelines for 90+ days delinquencies have reversed course over the last three months, declining from 516 days in July of 2013 to 493 days in August of this year
- » The average days delinquent for foreclosure starts have increased as well



- » The share of loans that are 90+ days delinquent (but not yet in foreclosure) that have been past due for 3 to 6 months is at its highest point since December 2010
- » The data imply that more seasoned late stage delinquencies are finally beginning to exit the pipeline



APPENDIX

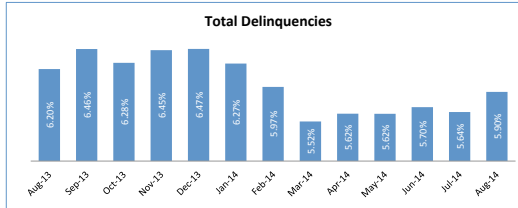
August Summary Statistics

	Aug-14	Monthly Change	YTD Change	Yearly Change
Delinquencies	5.90%	4.68%	-8.68%	-4.80%
Foreclosure	1.80%	-2.80%	-27.45%	-32.39%
Foreclosure Starts	81,612	-10.01%	-22.10%	-24.12%
Seriously Delinquent (90+) or in Foreclosure	4.05%	-1.14%	-19.46%	-22.33%
New Originations (data as of Jul-14)	543K	3.9%	31.6%	-26.5%

12 Month History

	Aug-14	Jul-14	Jun-14	May-14	Apr-14	Mar-14	Feb-14	Jan-14	Dec-13	Nov-13	Oct-13	Sep-13	Aug-13
Delinquencies	5.90%	5.64%	5.70%	5.62%	5.62%	5.52%	5.97%	6.27%	6.47%	6.45%	6.28%	6.46%	6.20%
Foreclosure	1.80%	1.85%	1.88%	1.91%	2.02%	2.13%	2.22%	2.35%	2.48%	2.50%	2.54%	2.63%	2.66%
Foreclosure Starts	81,612	90,690	88,314	86,258	78,796	88,113	91,993	94,075	104,759	104,939	118,837	108,953	107,552
Seriously Delinquent (90+) or in Foreclosure	4.05%	4.10%	4.17%	4.22%	4.39%	4.52%	4.70%	4.92%	5.03%	5.05%	5.10%	5.26%	5.22%
New Originations	543K	523K	486K	446K	413K	336K	355K	449K	436K	489K	506K	645K	

» August 2014 Data Summary



State	Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National	5.9%	1.8%	7.7%	-13.1%
MS	12.9%	1.7%	14.7%	-0.5%
NJ	6.6%	6.0%	12.6%	-13.1%
LA	9.6%	1.7%	11.4%	0.4%
NY	6.6%	4.5%	11.1%	-8.8%
FL	6.4%	4.5%	11.0%	-27.3%
ME	6.9%	3.7%	10.6%	-7.0%
RI	8.2%	2.3%	10.5%	-7.0%
AL	9.2%	1.1%	10.3%	-1.9%
WV	8.5%	1.1%	9.6%	-0.7%
IN	7.7%	1.9%	9.5%	-7.1%
AR	8.0%	1.5%	9.5%	-7.1%
CT	6.5%	2.9%	9.4%	-12.5%
PA	7.1%	2.2%	9.3%	-6.8%
MD	6.9%	2.3%	9.2%	-15.2%
DE	7.0%	2.2%	9.2%	-10.2%
TN	8.2%	0.9%	9.1%	-3.6%
OH	6.9%	2.0%	8.9%	-10.2%

State	Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National	5.9%	1.8%	7.7%	-13.1%
GA	7.7%	1.0%	8.7%	-10.2%
SC	6.9%	1.9%	8.7%	-6.9%
MA	7.1%	1.3%	8.4%	-3.2%
OK	6.3%	2.1%	8.4%	-5.4%
IL	5.9%	2.5%	8.4%	-18.5%
HI	4.2%	4.0%	8.2%	-14.7%
NV	5.9%	2.1%	8.1%	-28.4%
KY	6.1%	1.6%	7.7%	-6.4%
NC	6.7%	1.0%	7.6%	-8.4%
NM	5.3%	2.3%	7.5%	-6.2%
TX	6.7%	0.7%	7.4%	-3.8%
VT	5.1%	2.3%	7.4%	-7.9%
MO	6.4%	0.8%	7.2%	-6.3%
NH	6.1%	1.1%	7.1%	-0.8%
WI	5.6%	1.3%	7.0%	-11.9%
KS	5.8%	1.0%	6.9%	-3.9%
DC	4.8%	2.0%	6.8%	-13.8%

State	Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National	5.9%	1.8%	7.7%	-13.1%
MI	6.0%	0.8%	6.8%	-9.7%
IA	4.8%	1.4%	6.2%	-11.7%
UT	4.9%	0.8%	5.7%	-12.3%
WA	4.1%	1.5%	5.6%	-18.7%
VA	4.9%	0.6%	5.6%	-7.1%
OR	3.6%	1.9%	5.6%	-16.7%
NE	4.6%	0.6%	5.2%	-9.9%
ID	3.8%	1.2%	5.0%	-21.6%
AZ	4.1%	0.6%	4.7%	-12.4%
WY	4.0%	0.6%	4.6%	3.5%
CA	3.9%	0.6%	4.5%	-21.5%
MN	3.7%	0.6%	4.3%	-11.1%
AK	3.7%	0.5%	4.2%	-6.9%
MT	3.3%	0.8%	4.1%	-8.4%
CO	3.3%	0.5%	3.9%	-12.5%
SD	3.1%	0.7%	3.8%	-5.4%
ND	2.0%	0.6%	2.6%	-14.1%

* - Indicates Judicial State

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

» Six of the top 10 states for total non-current inventory are judicial states



APPENDIX

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
1/31/08	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%
2/28/13	50,123,564	1,400,311	526,649	1,483,423	1,693,699	5,104,081	131,826	473	824	87.6%
3/31/13	50,186,364	1,346,310	495,352	1,465,953	1,688,809	4,996,424	121,012	492	834	86.8%
4/30/13	50,117,188	1,252,302	464,676	1,394,132	1,588,138	4,699,249	127,496	503	843	87.8%
5/31/13	50,076,535	1,243,193	465,129	1,334,699	1,524,837	4,567,859	116,812	511	852	87.5%
6/30/13	49,823,992	1,471,134	511,731	1,344,818	1,457,699	4,785,382	109,042	512	860	92.3%
7/31/13	49,784,184	1,335,498	510,585	1,347,161	1,406,121	4,599,365	112,849	517	876	95.8%
8/31/13	50,370,772	1,344,657	491,283	1,287,867	1,340,955	4,464,763	107,552	505	895	96.0%
9/30/13	50,521,857	1,397,119	537,260	1,331,344	1,327,608	4,593,332	108,953	513	895	100.3%
10/31/13	50,161,457	1,345,175	523,729	1,282,783	1,275,579	4,427,266	118,837	512	900	100.6%
11/30/13	50,264,345	1,424,197	534,167	1,282,938	1,256,170	4,497,471	104,939	500	905	102.1%
12/31/13	50,163,956	1,411,348	551,473	1,280,336	1,244,436	4,487,591	104,759	490	920	102.9%
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%

» Loan counts and average days delinquent



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

