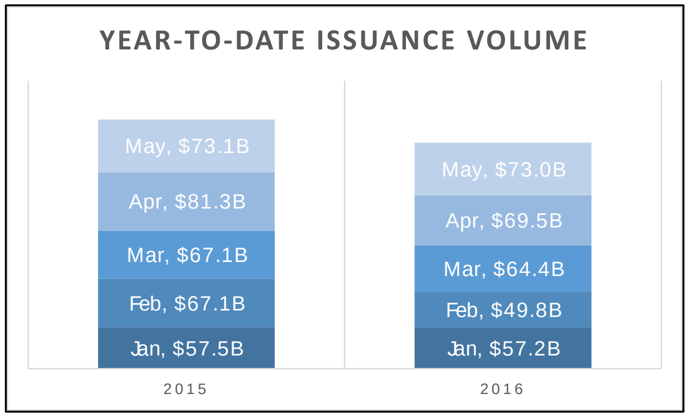
RISKSPAN

5 THINGS TO KNOW ABOUT AGENCY ISSUANCES – MAY 2016

1 2016 Issuance Volume Lags

Total Agency Issuances through May 2016 are $32.2B behind the total for the same five months in 2015 ($346.1B to $313.9B), representing a 9.3% overall drop in issuances. The clear culprit is refinance volume, off 22% through May, and putting a $48.5B drag on total issuances. Conversely, purchase volume has actually been strong, up 12.6% from the first five months of 2015.



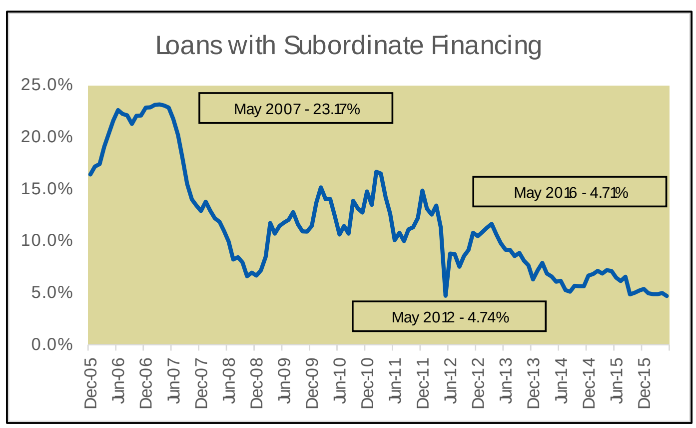
2 High FICO Off Y-O-Y

High FICO loans took a dip as a share of UPB as compared to May of 2015, with a year-over-year change for loans with a credit score above 740 falling 2.8%. The largest changes came in LTV ranges below 80, which may point to lower refinance volume as the cause. Sadly for borrowers, the RiskSpan VQI, which fell in May to 83.72, seems to indicate that the dip in High FICO share hasn't equated to looser underwriting or more open credit.

FICO Range	LTV Range: <= 60	> 60 <= 70	> 70 <= 75	> 75 <= 80	> 80 <= 85	> 85 <= 90	> 90 <= 95	> 95 <= 97	> 97
>=740	(14%)	(0.9%)	(10%)	(0.7%)	0.1%	0.1%	10%	0.3%	(0.2%)
720-739	(0.0%)	(0.0%)	(0.1%)	0.1%	0.0%	0.0%	0.3%	0.1%	(0.0%)
700-719	0.0%	0.0%	(0.0%)	0.0%	0.0%	0.1%	0.3%	0.1%	(0.1%)
680-699	0.1%	0.1%	0.1%	0.2%	0.0%	0.1%	0.3%	0.1%	(0.0%)
660-679	0.1%	0.1%	0.0%	0.1%	0.0%	0.1%	0.1%	0.0%	(0.0%)
640-659	0.1%	0.0%	0.0%	0.1%	0.0%	0.0%	0.1%	(0.0%)	(0.0%)
620-639	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	(0.0%)
<620	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)

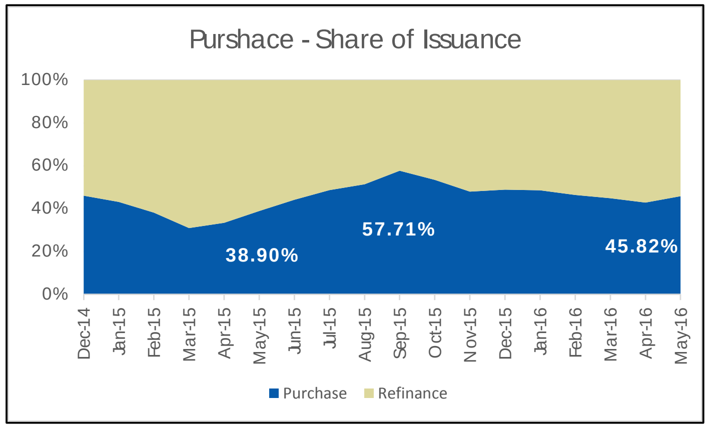
3 Subordinate Financing Hits New Low

The slow decline in issued loans that include subordinate financing continued in May of 2016, hitting a new low of 4.71% (as a share of loan count). Edging out our previous low from May of 2012, the share of loans with subordinate financing has taken a long tumble from a peak in May of 2007, when the share topped 23%. After a dip during the great recession, the share did recover through 2010, but has since deflated to its current low.



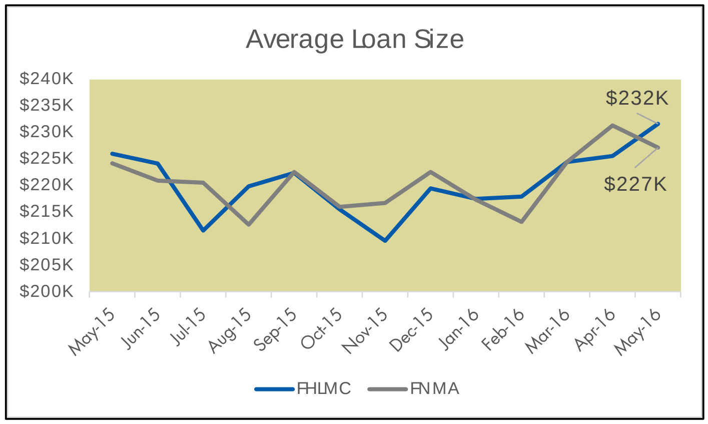
4 Purchase Share Strong

One bright spot for May was the strong purchase volume, up $5B from May of 2015. Coupled with sagging refinance volume, the share of total volume from purchase loans increased to 45.8%, outpacing the same month last year by almost 7%. While purchase share normally grows through the summer, we will have to wait to see if a 50-50 split between purchase and refinance volume becomes the new normal.



5 Average Loan Size Continues to Grow

It was Freddie Mac's turn for average loan size to jump over $230K for the month. After FNMA hit $231K last month, FHLMC followed suit, hitting $231K in May. Both agencies have trended up since January, even with almost no change to average LTV, with both FNMA and FHLMC hovering in the mid-74s.



Data Source: Fannie Mae PoolTalk® and Freddie Mac Loan Level Disclosure

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