

NEWS RELEASE

FOR IMMEDIATE RELEASE

Date:	Wednesday August 7, 2019
Subject:	Improved due diligence could significantly improve non-QM application success rate, says Computershare Loan Services

IMPROVED DUE DILIGENCE COULD SIGNIFICANTLY IMPROVE NON-QM APPLICATION SUCCESS RATE, SAYS COMPUTERSHARE LOAN SERVICES

Data analysis shows that surprisingly large proportion of applications fail because of simple administrative issues

New York, NY, Wednesday August 7, 2019 – A significant proportion of applications for non-qualified mortgages (non-QM) are prevented from receiving approval as a result of straightforward administrative issues, according to data from Computershare.

The company's Loan Services division is a leading international third-party mortgage service provider, and recently analyzed the post-close due diligence reviews they undertook in the U.S. over the course of a year.

Computershare found that non-QM applications were most likely to fail as a result of falling short of credit criteria (54.5%).

However, of those who were unsuccessful as a result of not meeting credit criteria, 22.2% failed because they had submitted incomplete information.

9.4% of those that were identified as having credit issues were unsuccessful as a result of originators not updating the application to reflect final documentation, and 8.6% could not proceed as a result of insufficient or out-of-date documentation (such as bank statements that were more than 30 days old).

Computershare also discovered that 38.4% of application failures were caused by incidences of non-compliance or other regulatory issues among the applications, and 11.6% of these were as a result of missing evidence of the closing disclosure.

"Our data help contradict the misconception that non-QM lending has parallels with the subprime lending that affected the financial sector a decade ago," said Tom Millon, CEO at Computershare Loan Services in the U.S.

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Millon added, "Non-QM products can help lenders serve high-quality borrowers with good credit records whose circumstances are nevertheless distinct enough for QM loans to be less likely to be available.

"Clearly administrative issues affect both QM and non-QM loan applications, and it's vital that borrowers and originators ensure that the Is are dotted and Ts crossed on their applications to avoid unnecessary problems.

"Computershare's dedicated team of compliance and due diligence experts allows us to target issues and work directly with clients to avoid or overcome them."

Type of issue causing non-QM mortgage application to fail	%
Credit	54.5%
Compliance/regulatory	38.4%
Property/collateral	7.1%

As with QM lenders, non-QM providers rely on an evaluation of the borrower's ability to repay before lending to them, taking into consideration credit history, asset position and the valuation of the property.

As part of this process, applications that include fraudulent information or documentation are declined immediately, escalated for further review and then reported to the authorities.

During this analysis, Computershare also uncovered a surprising proportion (2.6%) of applications that did not include confirmation of their delivery by mail, suggesting a lack of training or in-line quality reviews among originators.

Issues with property or collateral, such as incomplete appraisals, were the third most common type of application failure (7.1%).

Computershare said that the high instance of incomplete submissions was likely the result of the large proportion of applications coming from brokers.

Computershare Loan Services supports hundreds of thousands of customers throughout the lifecycle of their loans.

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Notes

1. A non-qualified mortgage (non-QM) is any home loan that doesn't comply with the Consumer Financial Protection Bureau's existing rules on qualified mortgages (QM).
2. A closing disclosure is a document provided to the borrowers and sellers and is required by regulation for most loans.
3. In-line quality reviews take place during the loan manufacturing process in order to uncover errors before the loan closes.
4. If an application is not delivered or accepted via e-delivery, many industry stakeholders default to regular mail and are required to retain records of delivery method.
5. Data taken from between February 2018 and February 2019.
6. Spokespeople available on request.
7. For high resolution images of spokespeople, visit <http://cpu.vg/spokespeople>.

About Computershare Loan Services

Computershare Loan Services is a leading international third-party mortgage servicing company, currently administering over \$100 billion of assets. We continue to invest in technology and servicing enhancements globally and in mortgage servicing rights across the USA. We help mortgage lenders optimize the performance of their portfolios and support hundreds of thousands of borrowers throughout the lifecycle of every loan. Our expertise, experience and understanding of large volumes of complex financial data also help us provide insight and services to mortgage providers, investors and real estate professionals.

About Computershare Limited

Computershare (ASX: CPU) is a global market leader in transfer agency and share registration, employee equity plans, mortgage servicing, proxy solicitation and stakeholder communications. We also specialize in corporate trust, bankruptcy, class action and utility administration, and a range of other diversified financial and governance services.

Founded in 1978, Computershare is renowned for its expertise in high integrity data management, high volume transaction processing and reconciliations, payments and stakeholder engagement. Many of the world's leading organizations use us to streamline and maximize the value of relationships with their investors, employees, creditors and customers. Computershare is represented in all major financial markets and has over 16,000 employees worldwide.