
BEST EFFORTS TO MANDATORY DELIVERY TRANSITION AND TRAINING GUIDE

TRAINING PHILOSOPHY OVERVIEW

At Black Knight, we believe that making the transition from best efforts to mandatory delivery is one of the most critical decisions you and your company will ever make. Making this change will not only affect your bottom line, but also have a significant impact on many other aspects of your business. For this transition to be successful, the right knowledge, tools, relationships, training and ongoing support are vital.

We believe in dedicating time to build a relationship with you so we can understand you and your business currently, where you want your business to go in the future, and what is important to your management, employees, and shareholders. We also understand that businesses evolve and change, so we are committed to continually checking in on your current business practices and goals, and realigning our support as necessary.

This guide was designed to help you better understand how Black Knight will aid your business in various stages, including preparing a roadmap to mandatory delivery, implementing your transition plan, and ongoing support and training on capital markets best practices.

PREPARING A ROADMAP TO MANDATORY

Discovery Meeting

It all begins here! The Discovery Meeting is typically our first or second conversation with all potential clients interested in transitioning from best efforts to mandatory delivery. Our dedicated team will ask important questions that help us better understand your current business model, how you operate today and any areas of focus that might require special or specific training to help support a successful transition. This meeting also provides us with an opportunity to outline some of the major changes involved with the transition so you can consider them as we move forward.

Hedging 101 Training

After the Discovery Meeting, we will schedule a Hedging 101 session, if your business has little to no secondary marketing experience. Our Hedging 101 training provides a high-level comparison between delivering loans in best efforts and mandatory delivery workflows. It details the major differences, benefits and risks between the two delivery methods and will help you identify what changes to expect when making this transition.

Solutions and System Presentation

Once our team has a firm understanding of how you do business, we will present our services and the technology solutions that will help you succeed in the mandatory delivery environment. These will be specifically tailored to your workflow and business needs to help you experience the maximum benefits and value of working with Black Knight, so we may hold multiple meetings with you to deliver on expectations.

Our goal is to make sure you understand what's involved with the transition and feel comfortable before we move forward. The most important thing to remember is that our robust, innovative tools and knowledgeable support are just what you need to drive your capital markets efforts. Most clients moving from best efforts to mandatory delivery will start as a full-service client, where Black Knight is ultimately responsible for managing their pipeline, as well as the trading and committing of loans. However, we welcome and encourage your involvement and continually provide training as our relationship grows.

Special Training, Requests and Introductions

Our training doesn't just help you prepare for the transition – it also helps you be successful. We think you'll quickly realize that this is never about "getting a contract executed." To help you achieve a successful transition, our training will help make sure you understand the changes that come with the process, such as:

Investors

As we better understand your business, your business relationship manager (BRM) will make recommendations for, as well as introductions to, investors that you may not be partnered with today that may be important to your business when you begin delivering mandatory. With more than 300 clients, and over \$1.3 trillion delivered to investors annually, we have the data and analytics to match you with the right investors.

Reporting

Your method of tracking loans and managing your pipeline will change as a result of this transition. You will have access to several new reports that address items such as pipeline position, profit and loss, unrealized gain, realized gain and pipeline mark-to-market variance. Black Knight's hedge analytics experts will fully review these new reports with you to help you fully understand what they address and how to use them.

Accounting Changes

Your accounting methods will change as a result of this transition. Black Knight has special relationships with multiple accounting firms that specialize in fair value mortgage accounting. We will coordinate a meeting between your team and one of these accounting firms to give you and your CFO an opportunity to understand and prepare for the differences on your balance sheet.

IMPLEMENTING YOUR TRANSITION PLAN

Implementation Kickoff Call

Once the contract is executed, Black Knight will schedule a kickoff call to introduce you to your dedicated team of secondary analysts. The kickoff call sets the stage for the implementation timeframe (usually 60–90 days). Together with your analyst team, you will review a detailed project management plan that includes everything needed to prepare for the transition to mandatory.

This call also serves as an opportunity to review certain items with your team of analysts, including particular business workflows, strategies and systems, so we can continue to recommend the appropriate investor(s), broker-dealer, warehouse and any other partnerships you will need to be successful. A detailed, step-by-step sample implementation timeline can be provided by your business relationship manager.

Active Implementation Stage

Investors, Broker-dealers and Warehouse Partnerships

The next stage in the process focuses on mandatory approvals with your investors, broker-dealers and warehouse lines, and it typically takes 45–60+ days to complete. One of the key components of successful mandatory delivery is having the right investors, so your dedicated analyst team will guide you through the process to identify the best ones for your business. As a result of Black Knight's strong relationship with investors, broker-dealers and warehouse vendors, we can position you to start delivering your loans in a mandatory fashion as quickly as possible.

Black Knight will:

- + Review your business
- + Make investor recommendations
- + Arrange introductions
- + Assist in the application process

Policies & Procedures

Another focus of our ongoing training is to help you develop a detailed, comprehensive internal policies and procedures document. Together, we will create this internal "rule book" based on a template that addresses:

- + The role of the secondary marketing department
- + Trade policies and limits
- + Position tolerances
- + Pricing and profitability
- + Lock desk policies
 - Rate lock commitment exceptions, expired rate locks, and pricing adjustments, etc.
- + Commitment policies and options
- + Risk management principles
- + Risk management strategies
- + And much more!

Data and Pull-through Analytics

Risk management is only as good as the data used to derive the hedge and offsetting position. Our dedicated team will focus on reviewing your loan data over the last two years, and look for correlations as well as market movements, to inform recommendations to assist in creating a specific "pull-through" model that will help dictate how your pipeline is managed. In addition, we will focus on attaining and understanding the data points necessary to bring your loan data into the Black Knight Marketplace Platform. Depending on your loan origination system (LOS), we may be able to automate the pull-in of this data, as well as the push-out of committing data back into your LOS.

Best Practices

We will share and help train you on various best practices that we have identified over the last 13+ years, all of which aid in the success of our existing client base. Many of these best practices can be immediately implemented, while others will be gradual. Either way, we will build a specific plan for your business that will support immediate and long-term success. Black Knight's commitment to training does not end; we will continue to provide support for the duration of our relationship.

Initial Training

We ask that all clients prepare for two days of initial training. This will provide the opportunity for you to get to know your analyst team, better understand our relationship and how we will work together, as well as review daily processes and reports to make sure you and your team get exactly what you need to be successful.

Training includes:

- + Data validation
- + Verification and additional eligibility rules
- + Setting custom system warnings
- + Verifying pull-through model
- + Finalizing and verifying investor setup
- + Reporting training
- + “Day in the life” training
- + Additional custom training (as needed)

POST-IMPLEMENTATION: OPERATIONAL TRAINING AND CAPITAL MARKETS BEST PRACTICES

Daily Training

Initially, it's common to speak with your analyst team daily. Your analyst team is available to guide you through every step of this new process, so you are welcome to reach out as often as necessary. Your business relationship manager is also available anytime.

Weekly Training

As a continuation of your implementation, we will conduct weekly calls during your initial operation stage, which can include senior management, accounting and secondary departments.

Quarterly Business Reviews

Quarterly business reviews are designed to bring together your secondary marketing and senior management teams, your dedicated team of analysts, and members of Black Knight's senior management. Together, we will review the following details of the previous months:

- + Risk management
- + Profit and loss performance
- + Pull-through performance
- + Investor performance
- + Best practices

These meetings are designed to discuss your secondary marketing business strategy at all levels. In addition, this is an opportunity to adjust and continue the education of your entire team and management.

Ongoing Training

Your analyst team will work with you on a daily, weekly and monthly basis, and will manage your pipeline and risk daily in Black Knight's Full Service model. They are also available to answer any questions, discuss reporting, offer recommendations, etc.

CONCLUSION

If your ultimate goal is to become a self-service client, it is our job to help you get there. Our existing client base has experienced success with our time-tested and proven processes, which are designed to help clients transition from a limited understanding of mandatory commitments into seasoned and profitable organizations in the mandatory world.

Black Knight looks forward to the opportunity to support you on your journey to mandatory delivery!