



Intercontinental Exchange - Black Knight Acquisition

1. Transaction benefits

The mortgage industry has widely recognized fundamental underlying challenges that have existed for many years, which lead to increased costs, a failure to expand home ownership, and poor outcomes for many first-time and underserved borrowers. Examples of these challenges include, but are not limited to:

- The process to obtain a mortgage remains highly inefficient;
- Closing costs are too high, and—on average, it costs at least \$12,000 to originate a mortgage, and many of the components of that total cost are the same whether it is a \$100,000 mortgage or a \$5,000,000 mortgage;
- Too many credit-worthy borrowers are denied loans due to guidelines that may not account for all relevant factors;
- There is a lack of first-mortgage lending capacity in underserved communities; and
- Fewer borrowers in underserved communities are approved for refinancing (as compared to other communities), which can lead to monthly cash flow constraints that could easily be avoided with better technology systems and data being available to lenders and homeowners.

The proposed transaction between ICE and Black Knight brings together complementary services and solutions that will enable and incentivize ICE to further digitize the mortgage process. As a result of the combination of ICE and Black Knight, ICE will be able to expand access to data for homeowners, lenders and regulators, thereby reducing costs, expanding homeownership opportunities to underserved communities, and improving the homeownership outcomes, which will result in substantial procompetitive benefits.

Additionally, ICE plans to make significant investments in Black Knight's products, including enhancing Black Knight's MSP servicing solution in concert with feedback from regulators, servicers and, most importantly, homeowners. On a combined basis, the two companies will develop additional solutions that will help homebuyers, homeowners, and lenders (e.g., enhanced home search tools that incorporate real-time market information; tools that identify and help borrowers who are at risk; better automation that reduces the need for 'stare and compare' workflows, among others).

The fundamental problems underlying the mortgage market have been known for decades, yet remain unsolved. The combination of ICE and Black Knight's complementary services and solutions represents an opportunity to address and remediate those problems in a manner that has not previously been available. Additional detail regarding ICE's plans can be found in Section 4 of this document.

2. Competition is and will remain vigorous regardless of the ICE-Black Knight transaction

The Federal Trade Commission (FTC) has sued to block the combination of ICE and Black Knight claiming that the combination will harm competition for the sale of Loan Origination Systems (LOS) and Product and Pricing Engines (PPE) used by lenders to originate and help sell mortgages. ICE and Black Knight disagree with this conclusion. Competition to provide technology to lenders is intense as numerous Fortune 500 financial technology ("fin-tech") companies and well-funded start-ups look to provide solutions to the over 4,000 mortgage lenders in the United States. Despite this lack of agreement, ICE and Black Knight have taken proactive steps and offered tangible remedies, which are described below, to address the key FTC's concerns.

The number of competitors offering loan origination systems (LOS) continues to increase. Many LOS providers (e.g., Blue Sage, Byte, Calyx, Finastra, Fiserv, Integra, Mortgage Cadence, and Wipro) have won—and continue to win—business from lenders of every size.

The chart below shows that many LOS providers are serving lenders of every size today. This provides strong evidence of the extensive competitive landscape and the fact that there will remain rigorous competition after the ICE-Black Knight transaction.

LOS provider	Top 1000 lenders	Top 500 lenders	Top 200 lenders	Top 100 lenders
Black Knight	✓	✓	✓	✓
Blue Sage	✓	✓	✓	✓
Byte Software	✓	✓	✓	✓
Calyx	✓	✓	✓	✓
FICS	✓			
Finastra	✓	✓	✓	✓
Fiserv	✓	✓	✓	
Intercontinental Exchange	✓	✓	✓	✓
Integra	✓	✓	✓	✓
MeridianLink	✓	✓		
Mortgage Builder (Constellation)	✓	✓	✓	✓
Mortgage Cadence (Accenture)	✓	✓	✓	✓
MortgageFlex Systems	✓	✓		
Origence	✓	✓		
Wipro	✓	✓	✓	✓
Proprietary Systems	✓	✓	✓	✓

With regards to mortgage origination, Black Knight serves a small number of lenders relative to the number of mortgage lenders overall. There is also significant new investment and entry in the industry. For example, Accenture, Bain Capital, Goldman Sachs, and Andreessen Horowitz have each invested tens of millions of dollars in different service providers, including Mortgage Cadence, Blue Sage, and Vesta.

Despite the robust LOS competition that exists today and will continue to exist in the future, ICE and Black Knight have agreed to divest Black Knight's Empower LOS business and related assets. The divestiture eliminates the only potential horizontal product overlap between ICE and Black Knight. The buyer is an affiliate of Constellation Software Inc., a large public company that generated \$6 billion in annual revenue in 2022 and has a market capitalization of more than \$41 billion. . Constellation has a deep understanding and substantial experience with software generally and mortgage technology specifically. Further, Constellation is well positioned and incentivized to invest in Empower and ensure that Empower not only continues to be an active competitor, but will grow and innovate to be a stronger competitor than it is today.

The FTC has also asserted that there is competitive overlap between the product, pricing and eligibility (PPE) engines offered by ICE and Black Knight. ICE's EPPS and Black Knight's Optimal Blue PPE are fundamentally different solutions. EPPS is an embedded feature that is only available on Encompass, while the Optimal Blue PPE is a standalone commercial PPE available to lenders through more than a dozen competing LOS platforms. EPPS and the Optimal Blue PPE also have vastly different functionalities, which is reflected in EPPS' and Optimal Blue's differing customer bases and vastly different cost structures. Even if there were a competitive overlap between EPPS and the Optimal Blue PPE, ICE is committed to keeping the Optimal Blue PPE available on as many competitor LOS platforms as possible, consistent with ICE's open mortgage network. This is all before taking into account the numerous other companies that provide or are creating pricing tools, including Polly, Lender Price, Mortech, ReadyPrice and LoanNEX, as well as Empower's native PPE that will be owned by Constellation.

ICE has always maintained an open LOS platform, which includes offerings from hundreds of third-party providers, many of which directly compete with various ICE solutions. As noted, ICE remains committed to maintaining and growing an open platform to better enable innovation in the mortgage space. It is only through such open architecture and competitive innovation that the industry will finally be able to fully and quickly address the underlying problems that have long plagued the mortgage market.

3. Regulators and courts should consider the ICE-Black Knight transaction holistically

The evidence points to the substantial benefits that will be derived from this combination. Regulators should consider the full nature and extent of the business realities in which ICE, Black Knight and the mortgage industry operate. Instead of seeking to protect competitors, regulators should consider how the transaction will, in fact, promote competition and bring substantial benefits to the U.S. homebuying and homeownership public and the industry (such as through the development of new solutions and the elimination of industry inefficiencies).

4. ICE Mortgage Technology's benefits and initiatives

ICE has a proven history of delivering technology that enables lenders to provide better service to consumers at lower costs. Most lenders generally have the same products to offer consumers. One way lenders can differentiate themselves is through lower costs. Through independent third parties, ICE has measured the effective Return on Investment (ROI), or cost savings, that a lender can achieve by using ICE's suite of technology solutions, with the most recent study validating a per-loan savings of ~\$1,400. Lenders are incentivized to pass on their own origination cost savings to the consumer in order to attract customers to their respective loan products.

Through the acquisition of Black Knight, ICE intends to deliver cost savings to lenders while also creating opportunities for lenders and servicers to better serve consumers, specifically those in underserved communities, through several initiatives:

- ICE plans to establish an industry-wide advisory board for its technology solutions. This board will focus on specific initiatives and solutions that will further the goal of making homeownership more accessible, affordable, and equitable to all, specifically those in underserved communities.
- ICE intends to make significant investments in homebuyer and homeowner education and awareness tools to increase homeownership in underserved communities. These initiatives include:
 - Creating a "qualified home search" capability for first-time homebuyers to help them be better informed when beginning the homebuying process, by integrating ICE's underwriting automation capabilities with Black Knight's Paragon MLS platform;
 - Providing automated loan program eligibility screening and notifications for lenders to ensure that every consumer is given every opportunity to be qualified, by:
 - Integrating ICE's Consumer Connect and AllRegs solutions with Black Knight's Optimal Blue PPE, to provide both interest rate and term options for mortgage loans;
 - Expanding the footprint of Ernst Fee Services, so borrowers understand what fees they may need to pay, including recording fees, transfer taxes, property tax, title, settlement and inspection fees; and
 - Enhancing Black Knight's valuation solutions, so borrowers can benefit from the best valuations of the property they want to purchase;
 - Integrating ICE's loan origination system with Black Knight's property data tools so non-depository lenders can be notified when a CRA eligible borrower has applied for a mortgage. This will assist non-depositories in adhering to the Community Reinvestment Act (CRA) guidelines banks are required to follow;
 - Creating training programs and tools for lenders that will:
 - Help reduce the instances of credit worthy borrowers being denied a mortgage due to a "thin credit file"; and
 - Allow lenders to help a borrower access a "second look" or cure a deficiency when an initial application is denied.
- ICE plans to leverage Black Knight's Collateral Analytics Risk Profiler Plus, which helps mortgage lenders, appraisers and appraisal management companies (AMCs) identify potential minority bias in the home valuation process; and ICE will invest in additional technology that removes that bias from the home-lending process. For example, ICE plans to introduce additional standardized automation within the areas of underwriting, property valuation, default management and other areas where objectivity must be validated through unbiased data.

- ICE intends to develop technology solutions that will monitor and alert servicers of changes that could impact consumers by automating the evaluation of changes in loan program eligibility, housing appreciation, outstanding balance paydown, and other factors that can facilitate current homeowners, especially in underserved communities¹, making the refinance process more efficient and eliminating costly credit overlays, when appropriate. These solutions would automatically notify servicers when there is an advantageous refinance opportunity, so the servicer can reach out to the borrower to offer a lower monthly payment, which would result in increased monthly cash-flow for the homeowner. While this functionality exists today within Black Knight's MSP system, by integrating the origination and underwriting automation capabilities of ICE with the servicing systems of Black Knight, we will be able to create an automated process that prompts the servicer of these opportunities.
- ICE will work to reduce costs even further in the industry, for both lenders and servicers, which in turn should lower the fees and costs incurred by homeowners and homebuyers. As previously noted, costs to originate and service loans are too high.
- ICE plans to invest in improving the access that lenders and servicers have to their own data. While ICE provides full data access and an open network of third-party providers to its clients, many technology providers offer lenders and servicers limited access to their own data and to third-party solutions, which can result in a lack of access to data, for lenders, servicers, and policy makers. When lenders lack insight into data, they often miss opportunities where they could better assist homebuyers / homeowners in the home buying or refinancing process.
- Policy makers often lack real-time data to understand the effectiveness of programs intended to increase homeownership, as well as the impact of climate risk. The combination of ICE and Black Knight will allow ICE to provide more real-time data to policymakers².
- ICE will work to provide enhanced climate data to the housing and mortgage industry and policy makers as climate considerations are becoming a key risk management factor for builders, buyers, lenders and mortgage investors. Climate risk is already driving population loss, mortgage delinquency risk, and slower property value appreciation for consumers in certain geographic areas. Flood and wildfire risk is disproportionately concentrated in low-income and minority communities often pushed outward from city centers and suburbs by housing affordability concerns. ICE intends to invest in educating consumers, policy makers, lenders, and servicers on climate-related costs of homeownership, as well as risks that we believe are both largely unseen and more pronounced in underserved communities.

¹ Higher-wealth/higher-loan-balance borrowers are generally proactively presented more opportunities for refinancing, whereas lower-wealth borrowers often lack the tools to understand when they could improve their cashflow through a refinance, by reducing their rates, eliminating mortgage insurance, or eliminating other risk-adjustments placed at the time of origination that may no longer apply.

² The data that flows over the ICE origination system (same as Black Knight) is not owned by ICE but by the lenders; ICE and Black Knight have no rights to any individual consumer/borrower data. Nothing about ICE's acquisition of Black Knight changes this structure.