BLACK KNIGHT

Press Release

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Black Knight's Mortgage Monitor: Housing Affordability Stretched as Average Monthly Payment to Purchase Median-Priced Home Rises 14 Percent Since Start of Year

- Rising home prices and interest rates have increased the monthly payment on a median-priced home purchased with a 20 percent down payment by $150/month
- Recent income growth – though better than long-term norms – has not been sufficient to keep up with rising rates and prices
- Affordability is still better than long-term averages across much of the country, but seven states are now less affordable than their long-term norms, with another 12 states approaching that point
- Washington, D.C., requires the largest share of median income (40 percent) to purchase the median-priced home, followed by California (38 percent), Hawaii (35 percent) and Maine (33 percent)
- Model scenarios suggest affordability is unsustainable at today's pace of home price appreciation and interest rate increase
- Annual growth in home prices slowed slightly in March, suggesting some degree of reaction to tightening affordability may already be occurring at the national level

JACKSONVILLE, Fla. -- June 4, 2018 -- Today, the Data & Analytics division of Black Knight, Inc. (NYSE:BKI) released its latest Mortgage Monitor Report, based on data as of the end of April 2018. This month, leveraging both the Black Knight Home Price Index and Census Bureau income data, the company reports on how rising home prices and mortgage interest rates have affected housing affordability. While homes in much of the country are still more affordable than long-term norms, 19 states are either close to or past their long-term average affordability levels. As Ben Graboske, executive vice president of Black Knight's Data & Analytics division explained, even the better-than-average income growth the U.S. has seen over the last few years has not been enough to keep up with rising home prices and interest rates.

"Last month, we reported that January and February 2018 saw faster rates of monthly home price appreciation (HPA) than the start of any year since 2005," said Graboske. "While the pace of annual home price growth slowed a bit in March, HPA is still around 6.5 percent. We've also seen interest rates climb by nearly three-quarters of a percent so far this year. Together, those two factors have resulted in a $150 increase in the monthly payment on a 30-year mortgage used to purchase the median-priced U.S. home, about a 14 percent rise since the start of 2018. Stronger-than-average income growth in recent years still hasn't been enough to keep up with rising HPA and interest rates. Seven states are now less affordable than their long-term norms and another 12 are close to hitting that point. Though much of the country remains more affordable than long-term norms, the current trajectory would change that sooner rather than later. We've modeled out multiple economic scenarios, some more conservative than others, and even with historically strong income growth, the current combination of home price and interest rate increases isn't sustainable.

"In recent years, incomes have been growing at a rate of 4.37 percent annually, as compared to a 2.75 percent 25-year average. Even so, a half percentage point increase in interest rates each year, combined with the current rate of HPA, would push affordability to an all-time low by 2023. However, many analysts expect HPA to slow, and March's slight downward shift in annual HPA may already suggest some degree of reaction to tightening affordability. So for our second scenario, we used the 25-year average of 3.75 percent HPA, but kept everything else the same. Under that scenario we hit long-term affordability levels in two years, and in five years, purchasing the median-priced home would require 30 percent of median income. It's only when we slow HPA to that 25-year average, while also reducing rate increases to just a quarter of a percentage point a year, that we land on a more sustainable scenario, hitting long-term affordability norms at the five-year mark."

On a geographic level, the report shows that Washington D.C. requires the largest share of median income (40 percent) to purchase the median-priced home, followed by California (38 percent), Hawaii (35 percent) and Maine (33 percent).Wyoming, Oregon and New York are also near the top, with payment-to-income ratios of 29 percent. In total, 14 states have payment-to-income ratios above the national average of 23 percent.

As was reported in Black Knight's most recent First Look news release, other key results include:

Total U.S. loan delinquency rate:	3.67%
Month-over-month change in delinquency rate:	-1.60%
Total U.S. foreclosure pre-sale inventory rate:	0.61%
Month-over-month change in foreclosure pre-sale inventory rate:	-2.26%
States with highest percentage of non-current* loans:	MS, LA, FL, AL, WV
States with lowest percentage of non-current* loans:	MN, WA, ND, OR, CO
States with highest percentage of seriously delinquent** loans:	FL, MS, LA, AL, TX

*Non-current totals combine foreclosures and delinquencies as a percent of active loans in that state.
**Seriously delinquent loans are those past-due 90 days or more.
Totals are extrapolated based on Black Knight's loan-level database of mortgage assets.

About the Mortgage Monitor
The Data & Analytics division of Black Knight manages the nation's leading repository of loan-level residential mortgage data and performance information on the majority of the overall market, including tens of millions of loans across the spectrum of credit products and more than 160 million historical records. The company's research experts carefully analyze this data to produce a summary supplemented by dozens of charts and graphs that reflect trend and point-in-time observations for the monthly Mortgage Monitor Report. To review the full report, visit: https://www.blackknightinc.com/data-reports/

About Black Knight
Black Knight (NYSE:BKI) is a leading provider of integrated software, data and analytics solutions that facilitate and automate many of the business processes across the homeownership lifecycle.

As a leading fintech, Black Knight is committed to being a premier business partner that clients rely on to achieve their strategic goals, realize greater success and better serve their customers by delivering best-in-class software, services and insights with a relentless commitment to excellence, innovation, integrity and leadership. For more information on Black Knight, please visit http://www.blackknightinc.com/.

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