Press Release

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Black Knight: Interest Rate Increases Cut Refinanceable Population by More than Half in 2018; Housing in 10 States Now Less Affordable than Long-Term Benchmarks

- After flattening through most of the summer, the 30-year fixed interest rate has climbed 0.35 percent over the past two months, and is now up 0.85 percent year-to-date
- Just 1.86 million mortgage holders have an interest rate incentive to refinance, a 56 percent decrease from the start of the year
- An estimated 6.5 million homeowners have now missed their opportunity to refinance their mortgages due to rising rates, for an aggregate of $1.5 billion in missed savings per month
- Interest rates continue to put pressure on home affordability as well, with the monthly principal and interest payment on the average-priced home rising 18 percent so far in 2018
- At the national level, it now takes 23.6 percent of median income to make the monthly payment on the average-priced home, as compared to the long-term benchmark (1995-2003) of 25.1 percent
- Even if home prices were to stay flat, another 0.50 percent increase in interest rates would make homes less affordable at the national level than those long-term norms
- Ten states are already less affordable than their respective long-term norms, with another six within one percent of those benchmarks

JACKSONVILLE, Fla. – Nov. 5, 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 September 2018. This month's report looks at the continued impact of rising interest rates on both the refinanceable population – homeowners with mortgages who could likely qualify for and see at least a 0.75 percent rate reduction from a refinance – and home affordability. As Ben Graboske, executive vice president of Black Knight's Data & Analytics division explained, over the last two years, millions of homeowners lost an interest rate incentive to refinance.

"Due to rising rates, some 6.5 million homeowners that previously could have benefited from refinancing their mortgages have missed that opportunity," said Graboske. "On average, these homeowners had a 22-month window to refinance. All told, that amounts to an aggregate of $1.5 billion in lost savings every month for these borrowers. This year alone, 2.2 million borrowers had the opportunity to see a 0.75 percent reduction on their first mortgage rates but did not take advantage of the reduced rates before increases to the 30-year fixed rate removed their incentive. So far in 2018, the average 30-year fixed mortgage rate is up 0.85 percent – with 0.35 percent of that rise coming over the last two months after remaining flat for much of the summer. The result is that the refinanceable population has been cut by more than half – 56 percent – since the start of the year.

"The rise in interest rates continues to impact home affordability as well. The monthly principal and interest payment needed to purchase the average-priced home has seen a $190 per month increase since the beginning of 2018, an 18 percent jump. It now takes 23.6 percent of the median income to make monthly payments on the average-priced home, making housing the least affordable it's been in nearly a decade. While still better than the 1995-2003 average of 25.1 percent, we're close to a tipping point. At the start of 2018, just two states – California and Hawaii – were less affordable than their long-term norms. As of today, 10 states have passed those benchmarks and another six are within 1.0 percent of long-term affordability levels. Even if home prices were to lock in place where they are today and not rise another dollar, it would take less than a half a percentage point rise in interest rates to make homes less affordable at the national level than long-term norms.

"That said, home price appreciation does continue to slow. Prices were up just 0.05 percent in August, roughly one-third of the 25-year average for the month, and early indicators point to a slight decline in September. That would be the first pullback in home prices in 21 months and only the second since 2015. As rates were relatively flat from June through August, this represents a continued reaction to the tightening affordability that took place early in 2018, and not the most recent jump in rates. We'll be watching the data closely to see whether this second wave of interest rate rises enhances the slowdown we're currently seeing in home price growth across the country."

This month's data also showed that the national inventory of loans in active foreclosure has fallen to pre-recession averages for the first time since the financial crisis. The improvement is actually even more impressive than it may seem. Taking into account today's foreclosure rate and the fact that there are 16 percent more active mortgages today than the 2000-2005 average, relatively speaking, foreclosure inventory is actually 40,800 below pre-recession "norms." At the current rate of reduction (a six-month average annual decline of 27 percent) active foreclosure inventory would hit a record low in September 2019, with fewer than 200,000 cases nationwide.

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

Total U.S. loan delinquency rate:	3.97%
Month-over-month change in delinquency rate:	+13.22%
Total U.S. foreclosure pre-sale inventory rate:	0.52%
Month-over-month change in foreclosure pre-sale inventory rate:	-4.45%
States with highest percentage of non-current* loans:	MS, LA, AL, WV, AR
States with lowest percentage of non-current* loans:	ND, ID, WA, OR, CO
States with highest percentage of seriously delinquent** loans:	MS, LA, AL, AR, RI

*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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