BLACK KNIGHT

Press Release

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Black Knight: Tappable Equity Falls for Second Consecutive Quarter; Equity Withdrawals Down 16 Percent Year-Over-Year

- Tappable equity – the amount available for homeowners with mortgages to borrow against before hitting a maximum 80 percent combined loan-to-value (LTV) ratio – fell by $229 billion in Q4 2018
- After reaching a high of just over $6 trillion in Q2 2018, total tappable equity was $5.7 trillion as of the end of 2018
- Declining available equity in California – where the average home price fell by $14,600 over the last six months of 2018 – accounted for more than 60 percent of the total national reduction
- As the vast majority of the decline was seen among homeowners with more than 20 percent equity in their homes, the loss of equity is more a matter of reduced borrowing power than a significant increase in equity stress on the market
- A total of $61 billion in equity was withdrawn in Q4 2018, the lowest total in nearly three years and representing just one percent of available equity, the lowest share since the housing recovery began in 2012
- Both HELOC and cash-out refinance withdrawals continued to decline in Q4 2018, likely due to rising interest rates

JACKSONVILLE, Fla. – April 1, 2019 – Today, the Data & Analytics division of Black Knight, Inc. (NYSE:BKI) released its latest Mortgage Monitor Report, based upon the company's industry-leading mortgage performance, housing and public records datasets. This month, Black Knight looked at full Q4 2018 data to revisit the U.S. home equity landscape, finding that tappable equity – the amount available for homeowners with mortgages to borrow against before hitting a maximum 80 percent combined loan-to-value (LTV) ratio – had fallen for the second consecutive quarter. Ben Graboske, president of Black Knight's Data & Analytics division, explained that though the decrease is being driven by declining home prices in some of the nation's most expensive housing markets, it does not yet represent any significant increase in equity-driven risk.

"After reaching a high of $6.06 trillion in Q2 2018, tappable equity has since fallen by $348 billion, with $229 billion of that total coming in the fourth quarter alone," said Graboske. "Once again, the decline is being driven by falling home prices in some of the nation's most expensive markets. In California – where the average home price fell by $14,600 over the last six months of 2018 – tappable equity fell by more than $200 billion over that same time period, making up more than 60 percent of the total national decline. Keep in mind, though, that despite this pullback, California continues to hold 37 percent of all the tappable equity in the country, and six-and-a-half times as much as Texas, the next closest state. It's also important to note that upwards of 80 percent of the national equity loss was among homeowners who had more than 20 percent equity in their homes. So while the decline does reduce the borrowing power available to these homeowners, it does not represent a significant increase in equity stress on the market as a whole.

"The fact is, homeowners have been tapping equity less and less. In Q4 2018, equity withdrawals were down 16 percent year-over-year. Just $61 billion in equity – slightly more than one percent of all available tappable equity – was withdrawn via cash-out refinances or HELOCs, the smallest share of available equity withdrawn since the housing recovery began in 2012. HELOC volumes have been on the decline for the better part of three years now, as rising short-term rates made tapping equity via a line of credit more expensive. As 30-year fixed interest rates hit their high point for 2018 in the fourth quarter, we saw a similar trend play out among cash-out refis as well. But rates have since pulled back, and the Federal Reserve has signaled there will be no further hikes in 2019. Heading into Q2 2019, the 30-year fixed rate stands at 4.3 percent. The last time rates were at this level, cash-out withdrawals as a share of available equity were more than 25 percent above where they were in Q4 2018, suggesting we could see a noticeable rebound in homeowners tapping available equity via cash-out refis in coming months given the increased rate incentive to do so."

Year-end data also shows that the $1.75 trillion in first-lien originations in 2018 marked the lowest volume in four years. Purchase loans made up 67 percent of all lending, the highest such share in 18 years. Purchase lending grew by five percent for the year, the lowest annual growth rate since the housing recovery began. Despite this slowing growth, purchase lending hit its highest level since 2006, although volumes remain more than 20 percent below their 2005 peak. Refinance lending fell by 27 percent for the year, and was actually down 44 percent year-over-year in Q4 2018. While Q4 2018 saw the lowest quarterly refinance volume in five years, 2018 as a whole was the lowest annual total since 2000. Of the 483,000 refinances originated in Q4 2018, 82 percent were cash-outs, the largest share since 2006. Two-thirds of those refinancing to tap equity raised their interest rate to do so. Resulting post-cash-out LTVs remain low at 67 percent, but credit scores have begun to decline. The average credit score of a cash-out refinance borrower in Q4 2018 was 732, the lowest it's been since 2008.

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 covering 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 Black Knight HPI is one of the most complete, accurate and timely measures of home prices available, providing essential micro-level valuation data by covering nearly 90 percent of U.S. residential properties at the ZIP-code level. In addition, the company maintains one of the most robust public property records databases available, covering 99.9% of the U.S. population and households from more than 3,100 counties.

Black Knight'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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