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Black Knight Mortgage Monitor: In May, Adjustable-Rate Mortgage Prepayments Highest Since 2007; Prepays on 2018 Vintage Loans Up Three Times Over Past Four Months

- Lower interest rates and the spring homebuying seasons have led to overall prepayment activity more than doubling over the past four months to the highest level seen since late 2016
- Borrowers with 2018 vintage loans are now driving more than twice as much prepayment volume as any other vintage after jumping by more than 300% over the past four months
- Early estimates suggest closed refinance loans rose by more than 30% from April 2019, with May 2019's refinance volumes estimated to be three times higher than the 10-year low reached in November 2018
- As of June 27, there were 1.5 million potential refinance candidates in the 2018 vintage alone, matching the total of potential refinance candidates in the 2013-2017 vintages combined
- 8.2 million homeowners with mortgages could now both benefit from and likely qualify for a refinance, including more than 35% of those who took out their loans just last year
- As June is typically the peak of home sale-driven prepayments – and with current rates approximately 0.25% below May's average – we may see an additional increase in this metric next month

JACKSONVILLE, Fla. – July 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, the company took an in-depth look at the resurgence in mortgage prepayments spurred by lower interest rates and seasonal increases in home sale activity. As Black Knight Data & Analytics President Ben Graboske explained, prepayments are up across the board, but some cohorts are seeing greater levels of activity than others.

“Overall, prepayment activity – largely driven by home sales and mortgage refinances – has more than doubled over the past four months,” said Graboske. “It's now at the highest levels we've seen since the fall of 2016, when rates began their steep upward climb. While we've observed increases across nearly every investor type, product type, credit score bucket and vintage, some changes stand out. For instance, prepayments among fixed-rate loans have hewed close to the overall market average, rising by more than two times over the past four months. However, ARM prepayment rates have now jumped to their highest level since 2007 as borrowers have sought to shed the uncertainty of their adjustable-rate products for the security of a low, fixed interest rate over the long haul.”

“Likewise, while all loan vintages have seen prepayment activity increase, they are all dwarfed by 2018. Prepays among the 2018 vintages have jumped by more than 300% over the past four months and are now nearly 50% higher than 2014, the next highest vintage. As of June 27, there were 1.5 million refinance candidates from the 2018 vintage alone, accounting for one of every six such candidates in the market, matching the total from the 2013-2017 vintages combined.

All in all, some 8.2 million homeowners with mortgages could now both benefit from and likely qualify for a refinance, including more than 35% of those who took out their mortgages just last year. Early estimates suggest closed refinances rose by more than 30% from April 2019, with May's volumes estimated to be three times higher than the 10-year low seen in November 2018. Given that interest rates have fallen further from May to June – and that we've yet to see the calendar year peak in terms of housing turnover related-prepayments – we may very well continue to see rising prepayment activity again in June's mortgage data.”

This month's Mortgage Monitor Report also revisited the nation's equity landscape, finding that after two consecutive quarterly declines, tappable equity rose in Q1 2019. Nearly 44 million homeowners with mortgages have more than 20% equity in their home. With a combined \$5.98 trillion, that works out to an average of \$136K per borrower with tappable equity. While tappable equity is nearing last summer's all-time high of \$6.06 trillion, and will likely surpass that peak as home prices rise seasonally over the summer months, the annual growth rate has slowed considerably in recent quarters. The annual growth rate of tappable equity slowed to 3% in Q1 2019, down from 5% in the prior quarter and 16% one year ago, as slowing home prices – especially in the nation's most expensive markets – have curbed tappable equity growth. Much more detail can be found in the May 2019 [Mortgage Monitor Report](#).

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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