Press Release

For more information:

Michelle Kersch
904.854.5043
michelle.kersch@bkfs.com

Mitch Cohen
704.890.8158
mitch.cohen@bkfs.com

Black Knight Mortgage Monitor: Servicer Retention Rates Improve Significantly Among Rate-Driven Refinance Transactions; Cash-Out Refi Retention Still Lackluster

- Falling rates and easy access to refinance candidates pushed retention rates up in Q2 2019, as servicers retained 24% of refinancing borrowers, the highest such retention rate since late 2017
- Retention of rate/term refinance borrowers hit 30% in Q2, after languishing below 20% for much of 2018
- However, amidst record-high tappable equity and falling interest rates, retention rates of cash-out refinance borrowers – accounting for 62% of all refinance lending in Q2 2019 – saw just one in five being retained
- Tappable equity reached an all-time high of $6.3 trillion in Q2, with 45 million homeowners with mortgages having an average of $140,000 in equity available to them before reaching a maximum combined loan-to-value ratio of 80%
- Nearly half of tappable equity holders have current first-lien rates of 4.25% or higher, making cash-out refinance an attractive option for those wishing to access the equity in their homes
- 76% of tappable equity holders have interest rates of 3.75% or higher, meaning they could potentially tap into home equity with little change to their existing 30-year rate, or perhaps even a slight improvement
- More than half of this population has credit scores of 760 or above, making for a relatively low-risk market segment; another 16% have scores between 720-759

JACKSONVILLE, Fla. – Sept. 9, 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's report returned to the subject of servicer retention rates – the share of borrowers servicers retained through a refinance transaction. As Black Knight Data & Analytics President Ben Graboske explained, falling interest rates and a subsequent increase in rate/term refinances has worked in servicers' favor.

"As we've reported in the past, retention rates tend to be higher for rate/term refinances than any other type of transaction, and that's just what we observed as of the end of Q2 2019," said Graboske. "Falling rates and an abundance of refinance candidates were primary drivers behind servicers retaining 24% of all refinancing borrowers – the highest such retention rate since late 2017 – and 30% of rate/term borrowers specifically. While losing the business of more than two out of every three rate-driven refinance customers is not exactly extraordinary performance, it is significantly better than the sub-20% retention rates seen throughout much of 2018. The good news is that interest rates are at three-year lows, and anecdotal evidence suggests that in recent weeks, mortgage lenders had been inundated with inbound refinance business that's relatively easy to retain. Borrowers refinancing out of 2018 vintage mortgages – a group accounting for nearly 20% of all refinance transactions over the first half of 2019 – have been especially so. Some 35% of these borrowers were retained by their servicers post-refinance. Given that 17% of the 11.7 million current refinance candidates are in 2018 vintage loans, retaining their business should be a top priority given today's market make-up.

"The not-so-good news is that – in an environment of record-high levels of tappable equity and low interest rates that makes cash-out refinances an affordable option for accessing that equity – servicers are retaining just one in five cash-out borrowers. Even though rate-term refis are surging right now, cash-outs still made up some 62% of all refinances in the second quarter. Add to that the fact that borrowers refinancing out of 2012-2017 vintage loans account for nearly half of all refis so far in 2019, nearly 80% were cash-out transactions. Savvy lenders and servicers need to go beyond the low-hanging fruit of 2018 vintage loans in order to retain this business – and capture additional market share where others are missing out. The key to success is being able to identify and target these customers through an informed, data-driven growth and retention strategy."

This month's analysis found that tappable equity – the amount of equity available to homeowners with mortgages before reaching a maximum combined loan-to-value ratio of 80% – rose for the second consecutive quarter. Gaining $335 billion in Q2 2019, tappable equity is now at an all-time high of $6.3 trillion. Approximately 45 million homeowners with mortgages have an average of $140,000 in tappable equity available to them. As mentioned above, falling 30-year rates have made cash-out refinances an affordable alternative to HELOCs as a way for these homeowners to tap equity. These falling rates have also opened up a relatively low-risk pool of potential borrowers with high credit scores. Nearly half of tappable equity holders have current first lien rates of 4.25%, while 76% have interest rates of 3.75% or higher, meaning they could potentially tap into home equity with little change to their existing 30-year rate, or perhaps even experience a slight improvement. More than half of this population has credit scores of 760 or above, making for a relatively low-risk market segment; another 16% have credit scores between 720-759. Much more detail can be found in Black Knight's July 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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