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Black Knight Mortgage Monitor: Lower Interest Rate Environment Boosts Home Affordability to Nearly Three-Year High; Home Price Growth Flat in August

- As of the end of September 2019 – with the average 30-year interest rate at 3.64% – it now requires 20.7% of the national median income to make monthly principal and interest (P&I) payments on the average-priced home
- That marks the second lowest national payment-to-income ratio in 20 months, behind only August 2019
- Home affordability briefly hit a 32-month high in early September, when interest rates dipped below 3.5% for a single week
- The \$1,122 in monthly P&I required to purchase the average-priced home is down 10% from November – when interest rates peaked near 5% – despite home prices rising more than 4% from that point
- Home affordability had hit a nine-year low back in November when the national payment-to-income ratio rose to 23.7%, spurring a noticeable and extended slowdown in home price growth
- Despite strengthening home affordability as a result of recent interest rate declines, home price growth held flat in August after rising for the first time in 17 months in July
- While prospective homebuyers continue to benefit from strong rate-driven buying power, interest rate movements are a key determining factor of housing affordability; significant shifts in either direction can change the landscape quickly

JACKSONVILLE, Fla. – Oct. 7, 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’s analysts examined the impact of recent interest rate declines on home affordability, finding yet another situation where rate shifts in either direction have profound impact. As Black Knight Data & Analytics President Ben Graboske explained, the current lower interest rate environment has provided a boost to potential homebuyers.

“Back in November 2018, we were reporting on home affordability hitting a nine-year low,” said Graboske. “Interest rates were nearing 5%, pushing the share of national median income required to make the principal and interest (P&I) payments on the purchase of the average-priced home to 23.7%. While still below long-term averages, that made housing the least affordable it had been since 2009, spurring a noticeable and extended slowdown in home price growth. In the time since, rates have tumbled and the affordability outlook has improved significantly. That payment-to-income ratio is now 20.7%, which is the second lowest it has been in 20 months, behind only August of this year, and about 4.5% below the long-term, pre-crisis norm. To help quantify the boost this has given to homebuyers, consider that today’s prevailing 30-year rate has cut the monthly P&I payment to purchase the average-priced home by 10% – about \$124 per month – from November. Put another way, the decline in rates since November has been enough to boost buying power by \$46,000 while keeping monthly P&I payments the same.

“Despite falling interest rates and steadily improving affordability over the preceding eight months, annual home price growth held flat in August at 3.8% after rising for the first time in 17 months in July. It remains to be seen if this is merely a lull in what could be a reheating housing market, or a sign that low interest rates and stronger affordability may not be enough to muster another meaningful rise in home price growth across the U.S. That the strongest gains in – and strongest levels of – affordability were in August and early September could bode well for September/October housing numbers. As such, we’ll be keeping a close eye on the numbers coming out of the Black Knight Home Price Index over the coming months.”

The month's analysis also shows that while falling interest rates have improved affordability across the country, pockets of tight affordability remain, especially along the western coast of the U.S. In fact, California accounts for seven of the 10 least affordable markets. In Los Angeles for example, even with rates at 3.64%, purchasing the average-priced home requires nearly 43% of the median household income -- more than twice the national average. While down from more than 48% near the end of 2018, that payment-to-income ratio still makes Los Angeles the country's least affordable market. Tight affordability on the West Coast was likely a key driver in the strong deceleration in home price growth that began as interest rates rose in late 2018. Interest rate movements have become a key determining factor of housing affordability and significant shifts in either direction can change the landscape quickly. Much more detail can be found in Black Knight’s August 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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