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Black Knight Mortgage Monitor: First-Time Homebuyers Under Pressure as Early-Stage Delinquencies Continue to Rise Among Purchase Loans

- Nearly 1% of Q1 2019 originations were delinquent six months post-origination; though less than a third of the 2000-2005 delinquency average of 2.93%, this figure is up more than 60% over the past 24 months and the highest since 2010
- This increase has primarily been driven by a rise in early-stage delinquencies among purchase loans
- First-time homebuyers have been steadily making up a growing share of originations, accounting for 42% of GSE and more than 70% of all GNMA purchase loans
- Rises in early-stage purchase loan delinquencies were more pronounced among first-time homebuyer loans examined, with steadier performance among repeat buyer loans
- Rising debt-to-income ratios (DTIs) due to home affordability pressures were at least one likely driver in increasing early-stage delinquencies among first-time homebuyers
- However, repeat purchasers faced the same affordability challenge and performance among this group has been steadier, suggesting falling credit scores among first-time homebuyers may have had more impact than DTIs

JACKSONVILLE, Fla. – Nov. 4, 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 the current trend of rising early-stage delinquencies, particularly among purchase loans. As Black Knight Data & Analytics President Ben Graboske explained, the number of loans that were delinquent six months following origination has been increasing over the past 24 months, with first-time homebuyers being impacted most heavily.

“We’ve seen early-stage delinquencies rise over the last several years, with the increase being driven primarily by purchase loans,” said Graboske. “About 1% of loans originated in Q1 2019 were delinquent six months after origination. While that’s less than one-third of the 2000-2005 average of 2.95%, it represents a more than 60% increase over the last two years and is the highest it’s been since late 2010. Early-stage GSE delinquencies currently stand at 0.6%, up two tenths of a percentage point over the past 24 months, but still 40% below the market average and 60% below their own 2000-2005 average of 1.3%. Though there has been some softening in GSE purchase loan performance, it hasn’t been to the extent seen among entry-level buyers. All in all, first-time homebuyer originations combined between the GSEs and GNMA increased by nearly 50% between 2014 and 2018. However, whereas first-time homebuyers represent just over 40% of GSE purchase loans, they make up 70% of the GNMA purchase market.

“That concentration is contributing to a more significant increase in early-stage delinquencies among GNMA loans, which saw 3.3% of loans delinquent six months after origination. That’s up 1.2 percentage points from two years ago, and though still roughly half the 2000-2005 pre-crisis average, it represents the sharpest increase we’ve seen in the market in

recent years. However, performance among repeat purchasers with GNMA-securitized loans has remained relatively steady overall, with the rise more pronounced among first-time homebuyers. Rising debt-to-income ratios due to tight affordability and declining first-time homebuyer credit scores stand out as likely drivers here. With a growing population of first-time homebuyers poised to enter the market, this is a trend Black Knight will continue to monitor.”

This month, the Mortgage Monitor also looks at Q3 2019 mortgage performance, finding that overall improvement continues despite rising early-stage delinquencies among first-time homebuyers. Strong performance in September saw the national delinquency rate ticking up just 0.08% seasonally, a 2% increase from one month prior and less than half the seasonal increase typically seen for September over the past 19 years. The national delinquency rate remains within 0.17% of the all-time low set back in May 2019, and is 1.13% below its pre-recession (2000-2005) average. However, the rate of improvement has begun to slow noticeably. In fact, when we exclude hurricane-impacted areas, the six-month average annual rate of decline had narrowed to less than 1% in recent months. This suggests that while performance remains strong, we may be nearing the trough in the national delinquency rate. Serious delinquencies – loans 90 or more days past due – continue to fall as well, and are now down 14% from last September, marking the lowest serious delinquency rate since June 2006. Finally, foreclosure sales (completions) are down 14% year-over-year, and have now set new record lows in each of the past five quarters. Much more detail can be found in Black Knight’s September 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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