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Press Release

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Black Knight Mortgage Monitor: Servicer Retention Rates Fall in Q3 2019 Despite Refinance Volumes Hitting Highest Point in Nearly Three Years

- After hitting an 18-year low in Q4 2018, refinance lending has nearly doubled (+94%) over the past three quarters
- Rate/term refinance lending – business that is typically easier for lenders/servicers to retain – is five times where it was in Q4 2018, driven by recent vintage borrowers seeking to lower their interest rates
- Cash-out lending has risen a modest +24% since Q4 2018 but still made up 52% of Q3 refinances, with homeowners withdrawing more than $36 billion via cash-out refinances, the highest amount in nearly 12 years
- Despite a surge in refinance lending, retention rates dropped in Q3 2019, with just 22% of borrowers being retained in portfolio post-refinance
- Rate/term refinance retention fell to 26% from 29% in Q2 2019, while cash-out retention dipped from 20% to 19%, the lowest retention rate among that segment in more than two years
- Given the continued growth in tappable equity – up 5% year-over-year to the largest Q3 total on record – servicers may do well by leveraging granular data to more effectively target and increase retention of cash-out borrowers

JACKSONVILLE, Fla. – Dec. 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, in light of the recent surge in refinance volumes, Black Knight looked at how servicers' retention rates of refinancing borrowers have fared. As Black Knight Data & Analytics President Ben Graboske explained, despite refinance volumes hitting their highest point in nearly three years, retention rates fell in Q3 2019.

"After hitting an 18-year low in the fourth quarter of 2018, refinance lending has nearly doubled since then," said Graboske. "The bulk of that increase was driven by people refinancing to improve the rate or term on their current mortgage, with five times the number of such rate/term refis as there were in Q4 2018. Cash-out refinances were up as well, although by a more modest 24% over the same period. Still, cash-outs made up 52% of all Q3 2019 refinances, with homeowners withdrawing more than $36 billion in equity, the highest amount withdrawn via cash-outs in nearly 12 years. Given that tappable equity continues to grow – $6.2 trillion as of Q3 2019 – and the continued headwinds facing the HELOC market, this is a segment lenders and servicers may likely focus on in coming months. Any upward movement in rates would likely only drive the cash-out share of lending higher.

"But for both cash-out and rate/term refinances, borrowers are leaving their servicers at significant rates despite this surge in activity. Just 22% of borrowers stayed with their servicer post-refinance in Q3 2019. The business of nearly three of every four rate/term refinance borrowers – historically an easier segment to retain – was lost, with servicers retaining just 26% of borrowers, down from 29% in Q2 2019. Cash-out borrower retention was even more dismal, though, as servicers lost more than four out of every five borrowers post-refinance. That's the lowest retention rate among that segment in more than two years. While refinance activity is up across the board, the characteristics of refinancing borrowers – along with their motivation and 'trigger points' to refinance – are anything but uniform. Advanced portfolio and market analysis can help servicers better understand changing borrower dynamics and tune their strategies accordingly."

This month's Mortgage Monitor also looked at the Q3 2019 equity landscape, finding that tappable equity – the amount available to homeowners with mortgages before reaching a maximum combined loan-to-value (CLTV) ratio of 80% – pulled back seasonally in Q3 2019. Total tappable equity now stands at $6.2 trillion, marking the largest Q3 volume on record. While down a modest 1% from Q2 2019, tappable equity grew 5% year-over-year, the strongest such growth rate since late 2018. The average homeowner holds $119,000 in tappable equity that could be withdrawn while still retaining a conservative buffer of 20% home equity, up $3,450 from the same time last year. Much more detail can be found in Black Knight's October 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/

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