

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: Low Interest Rates Make Housing Most Affordable in Two Years Despite Accelerating Price Growth; Buying Power Up 16% since Late 2018

- Home prices continue to react to falling interest rates, with December marking four consecutive months of acceleration in the annual rate of growth and the largest single-month acceleration in more than 6.5 years
- After falling from nearly 7% in early 2018 to 3.8% in August 2019, the national home price growth rate gained nearly a full percentage point increase over the last four months of 2019, climbing to 4.7% to close out the year
- Still, 30-year interest rates falling to 3.6% in late January 2020 made housing the most affordable it's been since early 2018
- Despite the average home price increasing by nearly \$13,000 from just over a year ago, the monthly mortgage payment required to buy that same home has actually dropped by 10% over that same span due to falling interest rates
- It now requires 20.6% of median monthly income to purchase the same home as it did just over a year ago, the smallest such payment-to-income ratio in two years
- Put another way, buying power for those shopping for the average-priced home has increased by 16% (approximately \$48,000) in just over a year's time

JACKSONVILLE, Fla. – Feb. 3, 2020 – 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. Drawing upon the latest data from the Black Knight Home Price Index (HPI), this month's report examined home price growth and affordability in the context of today's lower-interest-rate environment. As Black Knight Data & Analytics President Ben Graboske explained, low interest rates throughout much of the back half of 2019 contributed to sharply accelerating home price growth – but also to improving affordability.

“After falling from nearly 7% year-over-year appreciation in early 2018 to a trough of 3.8% in August 2019, the national home-price-growth rate gained a good deal of steam as mortgage interest rates declined throughout the second half of last year,” said Graboske. “In fact, December marked four consecutive months of home price growth acceleration and the largest single-month acceleration in more than 6.5 years, while the annual rate of appreciation saw nearly a full percentage point increase over the last four months of 2019, closing out the year at 4.7%. The low end of the market, those homes in the bottom 20% by price, saw 6.6% annual growth, nearly three times the rate of the top 20%. That said, higher-priced homes have been more reactive to recent rate declines. The annual growth rate among the top price tier has more than tripled over the past four months – from 0.7% year-over-year in August to 2.3% as of the end of the year – while there's been very little acceleration at the lowest end of the market.

“Still, even with home price growth accelerating, today's low-interest-rate environment has made home affordability the best it's been since early 2018. At that time, the housing market was red-hot, with national home price growth at 6.6% and climbing – before rising rates and tightening affordability triggered a pullback in growth rates. That's not the case

today. Despite the average home price increasing by nearly \$13,000 from just over a year ago, the monthly mortgage payment required to buy that same home has actually dropped by 10% over that same span due to falling interest rates. It now requires 20.6% of median monthly income to purchase the same home as it did just over a year ago, the smallest payment-to-income ratio we've seen in two years. Put another way, prospective homebuyers can now purchase a home that is \$48,000 more expensive than a year ago, while still paying the same in principal and interest. That's a 16% increase in buying power. Recent history at comparable levels of affordability suggest acceleration in home price growth may well continue in the coming months as this increased buying power puts upward pressure on home prices across the country."

In light of interest rates falling to 3.6% on Jan. 23 according to Freddie Mac's weekly Mortgage Market Survey, this month's Mortgage Monitor took an updated look at the population of potential refinance candidates in the market. There are now 9.4 million 30-year-mortgage holders in good standing who have at least 20% equity in their homes, credit scores of 720 or higher and who could cut their current interest rate by at least 0.75% by refinancing. This is the largest the population has been since mid-October 2019, when interest rates briefly fell below 3.6%. On average, these borrowers could save \$264 per month, for an aggregate monthly savings of nearly \$2.5 billion. While down slightly from the \$2.6 billion aggregate potential savings in August and September of 2019, it is three times the volume of savings available at the beginning of last year. Much more detail can be found in Black Knight's December 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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