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Press Release

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Black Knight Mortgage Monitor: Despite 6.5-Year High in Refinance Lending, Servicers Struggle to Retain and Recapture Borrowers; 80% of Refinance Borrower Business Lost

- After hitting an 18-year low in Q4 2018, refinance lending rose 250% year-over-year to hit a 6.5-year high in Q4 2019
- While rate/term refinance activity drove the bulk of the increase, cash-out lending rose to a more than 10-year high
- Despite the surge in refinance activity, mortgage servicers have struggled to recapture the business of refinancing borrowers, with just one in five borrowers remaining with their servicer post-refinance
- After spiking in Q2 2019 following the pullback in mortgage interest rates, retention rates among rate/term borrowers fell to 24% in Q4 2019
- Retention rates among cash-out refinance lending was even worse, with just 17% of cash-out borrower business being retained
- With 44.7 million homeowners holding a total of $6.2 trillion in tappable equity and approximately 600,000 withdrawing equity via cash-outs in Q4 2019, improving retention among this segment is crucial

JACKSONVILLE, Fla. – March 2, 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. This month, in light of a marked increase in refinance activity in Q4 2019, Black Knight looked into servicers' retention of refinancing borrowers. As Black Knight Data & Analytics President Ben Graboske explained, despite refinance lending hitting a 6.5-year high, servicers are facing challenges in retaining the business of refinancing borrowers.

"Despite a surge in refinance lending driven by low rates, servicers continue to struggle in their efforts to recapture refinancing borrowers, with only one in five being retained by servicers in Q4 2019," said Graboske. "Retention rates rose along with refinance volumes early last year, hitting an 18-month high in Q2 2019, but retention rates have since fallen in each of the past two quarters. Fewer than one in four borrowers refinancing to lower their rate or term – business which has been historically easier to retain – stayed with their servicer post-refinance in Q4 2019. A large driver has been a recent failure to retain 2018 vintage mortgages, which goes to show just how quickly lender/borrower relationships can evaporate without the right data and tools for servicers to early on identify clients in their portfolios with sufficient tappable equity, and act to retain them. Borrowers who left for 'greener pastures' received an average 0.08% lower interest rate than those who stayed, strengthening the need for tools to ensure rate pricing is competitive. Retention challenges are even more pronounced among cash-out refinances, for which retention rates fell from 19% in Q3 2019 to just 17% in Q4 2019, the lowest in more than four years. At the same time, cash-out lending hit a more than 10-year high at the end of 2019, with some 600,000 borrowers pulling an estimated $41B in equity from their homes, the largest quarterly volume since 2007.

"Lenders and servicers should take note – there are currently 44.7 million homeowners with equity available to tap via cash-out refinance or HELOC, with the average homeowner having $119K in equity. At $6.2 trillion, total tappable equity – the amount available to homeowners with mortgages to borrow against while still retaining at least 20% equity in their homes – hit its highest year-end total on record. What's more, the same falling interest rates that have reheated the housing market have also increased the rate of equity growth for the third consecutive quarter. Tappable equity grew 9.0% year-over-year in Q4 2019, the highest such growth rate since Q3 2018. Refinance lending is up 250% year-over-year, cash-out lending is at a 10-year high and 75% of homeowners with tappable equity have first lien interest rates at or above today's prevailing rate. Taking all of this into account, improving the retention and recapture of this business is of critical importance. Data-driven portfolio retention strategies that help determine borrowers' motivations for refinancing can go a long way in this regard."

The month's data also showed that, as interest rates fell throughout 2019, an increasing share of homeowners reduced their interest rate as part of the cash-out transaction, helping to offset some of the cost of borrowing against their equity. In fact, in Q4 2019, approximately 76% of homeowners were either able to keep their interest rate the same or, in many cases, significantly decrease their interest rate through cash-out refinancing, the largest such share since Q4 2016. This includes 50% who decreased their interest rate by at least 0.50% and 25% who decreased their interest rate by 1% or more. Much more detail can be found in Black Knight's January 2020 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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