BLACK KNIGHT

Press Release

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Black Knight: Just One in 10 Homeowners in Forbearance Hold 10% or Less Equity in Their Homes; Share Much Higher Among FHA/VA Loans

- With forbearance volumes declining for the first time since the COVID-19 crisis began, servicers' focus is shifting to pipeline management and downstream performance of loans in forbearance
- While 46% of homeowners in forbearance as of April 30 made their April mortgage payments, just 22% of those in forbearance as of May 26 have made their May payments, signaling a likely rise in the national delinquency rate
- Of the 4.76 million homeowners in active forbearance as of May 26, nearly half a million hold less than 10% equity in their homes – which is typically enough to cover the costs of selling the property, if need be – with an additional 1% currently underwater on their mortgages
- Nearly 80% of homeowners in forbearance have 20% or more equity, providing homeowners, servicers and regulators with multiple options for helping to avoid downstream foreclosure activity and default-related losses
- Combined loan-to-value (CLTV) ratios among FHA/VA loans in forbearance are much higher, with nearly 20% holding 10% or less equity in their homes
- These low-equity positions, combined with higher forbearance rates, represent a greater degree of risk among FHA/VA loans

JACKSONVILLE, Fla. – June 8, 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. As Black Knight reported on June 5, forbearance volumes fell for the first time since the crisis began between May 26 and June 2. As Black Knight Data & Analytics President Ben Graboske explained, the focus of industry participants – especially servicers and mortgage investors – must now shift from pipeline growth to pipeline management and downstream performance of loans in forbearance.

"The first decline in the number of homeowners in active forbearance volumes is undoubtedly a good sign, particularly coming as it does on the heels of an overall trend of flattening inflow," said Graboske. "Of course, the shift from pipeline growth to pipeline management presents its own set of challenges for servicers and investors. The good news is that equity positions among homeowners in forbearance are by and large strong. Nearly 80% of homeowners in active forbearance have 20% or more equity in their homes, providing homeowners, servicers and regulators with options for helping to avoid downstream foreclosure activity and default-related losses. Just 9% have 10% or less equity – typically enough to cover the cost of a sale of a property – with another 1% underwater on their mortgages. Of course, this leaves a population of nearly half a million homeowners who may lack the necessary equity to sell their homes to avoid foreclosure in a worst-case scenario. Looking at this population by investor, we see the share of low and negative equity borrowers in forbearance is much higher among FHA/VA loans. This segment – which has the highest forbearance rates overall – sees 19% of homeowners holding 10% or less equity in their homes.

"Despite 25% of the workforce filing for unemployment benefits, just 9% of mortgages are currently in forbearance.

Further, in April, nearly half of homeowners in forbearance plans made their April mortgage payments. Just 22% of those in forbearance as of May 26 have made their May payment, signaling another rise in the national delinquency rate is likely to be reflected in May's data. With expanded unemployment benefits set to end on July 31, it remains to be seen what impact that may have on both forbearance requests and overall delinquencies."

With April prepayment rates hitting a 16-year high, the Mortgage Monitor also looked at the ways in which forbearance and overall delinquency increases have impacted refinance incentive in light of 30-year interest rates hitting a new record low on May 28, according to Freddie Mac's Primary Market Mortgage Survey. With rates at 3.15%, there are approximately 14 million borrowers who could save at least 0.75% on their current interest rates by refinancing and meet broad-based eligibility criteria (current on payments, with at least 20% equity and credit scores of 720 or higher). The fallout from COVID-19 has impacted this population, with 4% of homeowners who would have otherwise met these criteria no longer being able to refinance due to delinquency (3% of which are in active forbearance and past due on mortgage payments, and 1% delinquent, but not in forbearance). Another 4% are in forbearance but who remitted their April mortgage payment. Given the reduced payment activity among loans in forbearance in May, the number of homeowners who no longer meet refinance eligibility requirements may rise further as a result of missing May mortgage payments.

Much more detail can be found in Black Knight's April 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/

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