

For more information:

Michelle Kersch
904.854.5043
michelle.kersch@bkfs.com

Mitch Cohen
704.890.8158
mitch.cohen@bkfs.com

Black Knight: Q1 2020 Cash-Out Refinances Fell Despite Record-High Tappable Equity; Low Rates Have Increased Refinance Incentive Even in Face of Rising Delinquencies

- Tappable equity rose 8% annually in Q1 2020 to an all-time high of \$6.5 trillion
- With mortgage interest rates hitting record lows in recent weeks, 90% of homeowners with tappable equity now have first lien rates above the prevailing market average; more than 75% have rates above 3.5%
- Q1 also saw overall refinance originations climb to a 7-year high, but at the same time, the number of cash-out refinances – as well as the volume of equity withdrawn via refinance – fell for the first time since early 2019
- While rate/term refinances rose by 18% from Q4 2019, cash-out lending fell 7% over the same period, despite record-low 30-year rates and record-high tappable equity
- Data on rate locks for Q2 2020 from Black Knight’s Compass Analytics suggests that trend may well continue, as the cash-out share of refinance activity has continued to fall throughout the second quarter
- Through June 19, cash-out refinance locks were down 6% from the comparable time frame in Q1 2020, while rate/term locks were up 13% – even including the massive wave of refinance locks seen in early March
- Despite rising delinquencies chipping away at mortgage holders, as of June 18 there are 13.6M who still meet broad-based eligibility criteria and could also shave 0.75% off their current first lien rate by refinancing

JACKSONVILLE, Fla. – July 6, 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 Data & Analytics President Ben Graboske explained, despite record-low interest rates and record-high levels of tappable equity – the amount available to homeowners with mortgages to borrow against before reaching a maximum combined loan-to-value ratio of 80% – both the number of cash-out refinances and the volume of equity withdrawn via such loans fell in Q1 2020.

“Tappable equity rose by 8% year-over-year in the first quarter of 2020 to a record high of \$6.5 trillion,” said Graboske. “What’s more, with mortgage interest rates hitting record lows, 90% of homeowners with tappable equity now have first lien rates above the prevailing market average. But while Q1 2020 saw overall refinance lending climb to a 7-year high, the number of cash-out refinances, as well as the dollar value of equity withdrawn via refinance, fell for the first time since early 2019. All in, cash-outs accounted for just 42% of refinance loans in the first quarter, roughly half of what was seen at the recent high in Q4 2018 and the lowest such share since Q1 2016. Likewise, the \$38.7 billion in equity withdrawn from the market via cash-out refinances was down 8% from the prior quarter. Further, rate lock data – a good indicator of lending activity – suggests the trend is likely to continue, as the cash-out share of refinance activity has continued to fall throughout the second quarter.

“Through June 19, cash-out refinance locks were down 6% from the comparable time frame in Q1 2020, while rate/term locks were up 13% – even including the massive wave of refinance locks seen in early March. The environment

is ripe for that surge of rate/term refinance lending to continue as well. Despite rising delinquencies cutting into the number of homeowners who would otherwise meet broad-based eligibility requirements to refinance, some 13.6 million homeowners still meet those criteria, which include being current on their mortgage, and could shave at least 0.75% off their first lien rates by refinancing. Mortgage rates fell to a record low of 3.13% on June 18 according to Freddie Mac's Primary Mortgage Market Survey (PMMS); if they were to tick down just one basis point, that population would swell by 20% to 16.3 million, an all-time high for refinance incentive."

The month's data also showed that the 13.6 million refinance candidates in the market today could save an average of \$283 per month on their mortgage payment. If all eligible candidates were to refinance their mortgages, they would see an aggregate savings of \$3.9 billion per month, representing a potentially significant and much-needed stimulus to the economy. Of these, some 4.6 million could save at least \$300 per month on their mortgage payments, while 2.6 million would be able to save at least \$400 per month. 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/>

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/>.

###

SOURCE: BLACK KNIGHT, INC.