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Black Knight: Falling 30-Year Interest Rates Result in the Highest Level of Home Affordability in 3.5 Years Nationwide

- While home prices have risen for 97 consecutive months, July’s record-low mortgage rates have made purchasing the average-priced home the most affordable it’s been since 2016
- Buying power for those shopping for a home is up 10% year over year, with home buyers able to afford nearly \$32,000 more home than they could have 1 year ago while keeping their monthly payment the same
- Each of the 25 largest markets are seeing their strongest affordability in more than 2 years, with falling 30-year rates elevating buying power for potential homeowners across the country
- Six states -- Louisiana, Arkansas, Iowa, West Virginia, Kentucky and Maryland – are seeing their lowest payment-to-income ratios in more than 25 years
- While the fallout from COVID-19 continues to weigh on the broader economy, record-low mortgage rates and improved affordability appear to be providing a backstop for the mortgage and housing markets, with 19 of the 22 major markets analyzed seeing their median price per square foot rise from May to June

JACKSONVILLE, Fla. – Aug. 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. As 30-year interest rates hit a record low in recent weeks, Black Knight looked at the impact this has had on refinance incentive, affordability levels, and their broader impact on the mortgage and housing markets.

As Black Knight Data & Analytics President Ben Graboske explained, “Despite eight consecutive years of rising home prices, July’s record-low mortgage rates, which fell below 3% for the first time on July 16, have made purchasing the average-priced home for a median wage earner the most affordable since late 2016. Falling rates and improved affordability have helped to spur home-buying demand, and therefore purchase origination volume, which has provided a much-needed backstop for home prices in the wake of the COVID-19 pandemic.

“As of mid-July, it required 19.8% of the median monthly income to make the mortgage payment on the average-priced home purchase, assuming a 20% down payment and a 30-year mortgage. That was more than 5% below the average of 25% from 1995-2003. This means it currently requires a \$1,071 monthly payment to purchase the average-priced home, which is down 6% from the same time last year, despite the average home increasing in value by more than \$12,000 during that same time period. In fact, buying power is now up 10% year-over-year, meaning the average home buyer can afford nearly \$32,000 more home than they could at the same time last year, while keeping their monthly payment the same.

“A main takeaway from this month’s report is that while record levels of job losses are certainly still weighing on the housing market and broader economy, for those shopping for a home now, buying power has clearly trended up.”

Across the country, some areas are seeing their strongest affordability levels in well over a decade. In Baltimore for example, record-low mortgage rates have made housing the most affordable it's been since before the Great Recession. In Louisiana, Arkansas, Iowa, West Virginia, Kentucky and Maryland – areas that have seen more moderate levels of home price growth in recent years – housing is more affordable than it's been in more than 25 years, when taking income growth into consideration.

Falling rates have also driven record levels of refinance incentive. After 30-year rates fell below 3% in mid-July, providing refinance incentive to a record 18.1M homeowners, rates edged up slightly toward the end of the month. As of July 23, with the 30-year rate at 3.01%, there were still 15.6M refinance candidates that met broad-based underwriting criteria, which included being current on their mortgage, having a credit score of 720 or higher, and having at least 20% equity in their homes. These refinance candidates could also reduce their 30-year interest rate by at least 0.75% through a refinance, with an average savings of \$289 per month and an aggregate savings of more than \$4.5B per month if each of those homeowners were to refinance their mortgage. While falling rates served to increase refinance-related rate lock activity, the most pronounced impact has been seen among purchase locks driven by improved affordability and a delayed home buying season, with purchase locks up 12% month over month in July and up 71% from their pre-pandemic March levels.

Much more detail can be found in Black Knight's June 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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