

## **Black Knight: Surge in Refinance Lending Driven by Record-Low Rates Leads to Largest Quarterly Volume on Record; Just 18% of All Refinancing Borrowers Retained by Servicers**

- Q2 2020 saw the largest quarterly origination volume on record with nearly \$1.1 trillion in first lien mortgages originated in the quarter
- Refinance lending was up more than 60% from Q1 2020 and more than 200% from the same time last year, accounting for nearly 70% of all first lien originations by dollar value
- Rate lock data – a leading indicator of lending activity – supports the growing consensus that the spring homebuying season was shifted forward into the summer months by the COVID-19 pandemic
- Overall, purchase locks scheduled to close in Q3 are now 23% above the seasonal expectation, more than making up for Q2’s COVID-19-related shortfall, with Q2 and Q3 combined more than 6% above their expected seasonal volumes based on January’s pre-pandemic baseline
- Locks on refinance loans that are expected to close in the third quarter (assuming a 45-day lock-to-close timeline) are up 20% from Q2 suggesting that Q3 2020 refi volumes could be even higher than the record-setting Q2 volume
- Despite a nearly 17-year high for refinance originations, just 22% of rate/term refinance and 13% of cash-out refinance borrowers were retained in servicers’ portfolios

JACKSONVILLE, Fla. – Sept. 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. This month, Black Knight looked at both Q2 2020 origination data as well as interest rate locks thus far in Q3 2020 to get a sense of how the lending market has fared in the era of COVID-19. As Black Knight Data & Analytics President Ben Graboske explained, a period of record-low interest rates has provided a much-needed backstop to the impact of shutdowns, unemployment and economic uncertainty.

“Despite the nation being under pandemic-related lockdowns for much of the quarter, a record-breaking surge in mortgage originations occurred in Q2 2020, driven by the record-low interest rate environment,” said Graboske. “Nearly \$1.1 trillion in first lien mortgages were originated in Q2 2020, which is the largest quarterly origination volume we’ve seen since first reporting on the metric in January 2000. Refinance lending grew more than 60% from the previous quarter and more than 200% from the same time last year, accounting for nearly 70% of all Q2 originations by dollar value. At the same time, purchase lending declined 8% year-over-year as the traditional spring homebuying season was impacted by COVID-19-related restrictions. However, mortgage loan rate lock data – a leading indicator of lending activity – suggests that the homebuying season was simply pushed forward into the third quarter.

“Purchase locks in Q3 2020 have already made up for the losses of a COVID-impacted Q2 – and then some – based upon normal seasonal expectations. In fact, rate locks are suggesting that we could see Q3 purchase lending break typical seasonal trends and rise by 30-40%, which would push us to a new record high. Likewise, while Q2 refinance activity was record-breaking, refi lock data suggests Q3 refinance volumes could climb even higher. Locks on refinance loans

expected to close in the third quarter, assuming a 45-day lock-to-close timeline, are already up 20% from Q2. With market conditions as they are and given the recent delay of the 50 basis points fee on GSE refinances until December, we would expect near-record low interest rates to continue to buoy the market. After all, there are still nearly 18 million homeowners with good credit and at least 20% equity who stand to cut at least 0.75% off their current first lien rate by refinancing.”

In the midst of record-breaking refinance volume, retention woes persist for mortgage servicers, with the report showing just 18% of all refinancing borrowers being retained post-refinance in the second quarter. Despite a nearly 17-year high in refinance originations, the business of just 22% of rate/term borrowers and a mere 13% of cash-out refinance borrowers was retained in servicers’ portfolios post-transaction. While that is a marked improvement for rate/term refinance retention rates since last quarter, it still results in servicers losing nearly 80% of their refinancing customers. The data further shows that, though rate/term refinance borrowers are indeed price-sensitive, high-credit borrowers refinancing into GSE mortgages in Q2 received an interest rate only 7 basis points lower on average than borrowers who were retained. While pricing is certainly important, the marginal rate differences between retained and lost borrowers suggest that proactively identifying and marketing to high-risk prepay cohorts may likely be key to raising retention rates.

Much more detail can be found in Black Knight’s July 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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