

## **Black Knight: At Current Rate of Improvement, Delinquencies Will Remain Above Pre-Pandemic Levels Until 2022; Loss Mitigation and High Levels of Equity Help Mitigate Foreclosure Risk**

- After tracking closely to the recovery pattern following natural disasters in early months, the trend lines of COVID-19's impact on mortgage performance have begun to diverge and indicate a longer recovery period ahead
- Carrying forward the 3-month average rate of improvement since mortgage delinquencies peaked in late May shows that delinquencies will remain above pre-pandemic levels for another 19 months
- The same trend would result in more than 1 million excess delinquencies in March 2021 when the first wave of forbearances reach their 12-month expiration period
- While 90-day delinquencies typically peak 3-4 months following natural disasters, we have now seen five months of continual increases in such serious delinquencies albeit more moderately in August than in prior months
- Of the 6.1 million homeowners who have been in COVID-19-related forbearance plans, 41% (2.4M) have since exited, with the vast majority of those borrowers currently performing; of those who remain past due, 267,000 are in active loss mitigation with their lenders
- Just 54,000 loans are past due and not in active loss mitigation, and 70% of these were already past due in February before the pandemic began to impact mortgage performance
- Record levels of equity continue to help mitigate foreclosure risk, with only 9% of homeowners in forbearance having less than 10% equity in their homes

JACKSONVILLE, Fla. – Oct. 5, 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's report found that – after tracking relatively closely to the deterioration and recovery timelines of recent natural disasters – the trend lines of COVID-19's impact on mortgage performance have begun to diverge. As Black Knight Data & Analytics President Ben Graboske explained, while this divergence suggests a prolonged recovery period may lay ahead, there are several mitigating factors which together could help lessen the size of a follow-on wave of foreclosures.

“When COVID-19 first began to impact the mortgage and housing markets, there was no easy historical precedent by which to gauge the fallout, so we looked to mortgage performance in the wake of recent

recessions and natural disasters for clues,” said Graboske. “And for the first several months of the pandemic, the performance impact of COVID tracked relatively closely to that of major hurricanes. Those trends have since begun to diverge, however, and looking at the 3-month average rate of improvement since May’s peak in mortgage delinquencies suggests a longer recovery timeline. At the current rate of improvement, delinquencies would remain above pre-pandemic levels until March 2022. What’s more, when the first wave of COVID-19-related forbearance plans reach their 12-month expiration period, we would still have a million excess delinquencies. As early-stage delinquencies have already returned to pre-pandemic levels, the bulk of these will be seriously delinquent when the forbearance clock runs out – and serious delinquencies have yet to peak, increasing yet again – albeit more mildly – in August.

“While this may seem to paint a bleak picture for the future, multiple mitigating factors could help to reduce any resulting foreclosure wave. First and foremost, while recovery has been slow and incremental, the bulk of homeowners who have come out of forbearance are currently performing on their mortgages. That’s roughly a third of the 6.1 million homeowners who’ve been in forbearance at one time or another since the pandemic began. Of those no longer in forbearance but still past due, the vast majority -- some 267,000 -- are in active loss mitigation programs with their lenders. Just 54,000 loans at present represent significant risk – having left forbearance, are past due and not engaged in loss mitigation efforts. Seventy percent of those were already delinquent in February, before COVID became a factor. Furthermore, American homeowners now have the most equity available to them in history. Of those in forbearance, just 9% have less than 10% equity in their homes, which offers both borrowers and lenders multiple options in lieu of foreclosure.”

Even when applying distressed valuations to the more than 2.5 million homes either 90 or more days past due or in active foreclosure, the report found that tappable equity hit another record high in Q2 2020 as home prices continued to rise across much of the country. In total, nearly 45 million homeowners have tappable equity in their homes, the largest volume ever. The average homeowner now has nearly \$125,000 in tappable equity; an increase of more than \$3200 from last year – also a record. These strong equity positions help to provide a backstop to elevated delinquency levels and slow recovery from COVID-19-related impacts. Much more detail can be found in Black Knight’s August 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, Inc. (NYSE:BKI) is an award-winning software, data and analytics company that drives innovation in the mortgage lending and servicing and real estate industries, as well as the capital and secondary markets. Businesses leverage our robust, integrated solutions across the entire homeownership life cycle to help retain existing customers, gain new customers, mitigate risk and operate more effectively.

Our clients rely on our proven, comprehensive, scalable products and our unwavering commitment to delivering superior client support to achieve their strategic goals and better serving their customers. For more information on Black Knight, please visit [www.blackknightinc.com/](http://www.blackknightinc.com/).

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