

Black Knight: Lock Activity Suggests Q1 2021 Refi Originations to Remain Near Record Highs as Rate Increases Cloud Q2 Outlook; Servicer Retention Hits New Low

- A record-breaking \$4.3 trillion in mortgages was originated in 2020, with \$2.8 trillion in refinances – also an all-time high – and \$1.5 trillion in purchase loans, the largest annual volume since 2005
- Rate lock data – a good indicator of lending activity – through mid-February suggests Q1 2021 refis could hold steady near record levels before experiencing headwinds from recent rate hikes
- However, an also likely 25% reduction in purchase lending in the first quarter would bring total origination volume down 10% from Q4 2020
- Despite originations hitting all-time highs across the board in Q4 2020, servicers retained just 18% of the estimated 2.8 million homeowners who refinanced in Q4, the lowest share on record
- Borrowers refinancing to improve their rate and/or term were retained at a significantly higher rate (23%) than those pulling cash out as part of the transaction (11%)
- As of March 4, just under 13 million refinance candidates remain – the lowest volume since May 2020 and a reduction of 5.2 million (29%) in just the past three weeks.

JACKSONVILLE, Fla. – March 8, 2021 – 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, real estate and public records datasets. This month’s report looks back on 2020 origination volumes as well as at rate lock data from Black Knight’s Secondary Marketing Technologies division to get a sense of how the market is faring as rates begin to rise. According to Black Knight Data & Analytics President Ben Graboske, despite interest rates recently spiking to more than 3.2% according to the daily tracking data of the company’s Optimal Blue Mortgage Market Index, Q1 2021 refinance lending volumes are poised to remain near Q4 2020’s record-breaking high.

“Roughly 2.8 million homeowners refinanced their mortgages in the last quarter of 2020, which saw a record-breaking \$869 billion in refinance lending,” said Graboske. “Assuming a 45-day lock-to-close timeline, daily rate lock data from Black Knight through mid-February suggests refi activity could remain steady in Q1 2021. Of course, that’s before a recent spike in 30-year rates is expected to begin impacting closed loan volumes in late Q1 or early Q2. Still, by the end of March, another 2.8 million homeowners will have taken advantage of near-record-low rates to refinance their mortgages. It’s important to remember that this would be coupled with a 25% reduction from Q4 2020 in purchase loans as well, resulting in an overall 10% quarterly decline.

“With rates on the rise, refinance incentive has been significantly curtailed. Just under 13 million high-quality refinance candidates remain in the market – a nearly 30% drop in just the past three weeks. Added to that, retention of what is now a dwindling number of refinancing borrowers remains at record lows, with just 18% being retained by their servicers. Approximately 2.3 million borrowers were not retained in Q4 2020 alone. The current rate volatility serves to underscore the critical nature of both accurate and strategic pricing and advanced retention analytics to help identify borrowers who still have incentive and are out there transacting in the market.”

Drilling down into the latest retention data provides some interesting context. Rate/term refinances were retained at a significantly higher rate (23%) than those pulling cash out as part of the transaction (11%). Borrowers who took out their previous mortgage in 2019 continued to drive the largest volume of refinance originations (20%) and were also retained at one of the highest paces (24%). Those who took out their prior mortgage earlier in 2020 drove 8% of all Q4 2020 refinances, representing a large volume of early refinance activity. Among higher-credit quality rate/term GSE refinances, borrowers who left their servicer received more than an eighth of a percent lower rate than those who refinanced and remained with their current servicer. Much more detail can be found in Black Knight’s January 2021 [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 combined insight of the Black Knight HPI and Collateral Analytics’ home price and real estate data provides one of the most complete, accurate and timely measures of home prices available, covering 95% of U.S. residential properties down to 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/.

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