

## **Black Knight: Home Prices Surge Nearly 18% Annually as May Sees Greatest Single-Month Acceleration on Record; eMBS Securities Issuance Data Suggests Borrower Behavior Changing in Response**

- According to the Black Knight HPI, home price growth hit its third consecutive all-time high in May, with the annual rate of appreciation accelerating by more than 2% in each of the past two months
- Sales data for the first three weeks of June from Black Knight's Collateral Analytics suggest further acceleration may come, as median sales prices of single-family residences are up 25% year-over-year
- Such strong price growth has sent homeowners' levels of tappable equity soaring by \$800 billion in the first quarter alone, a 23% year-over-year gain, setting yet another record high of \$8.1 trillion in Q1 2021
- Increased equity stakes and historically low rates have provided FHA borrowers the option to refinance into GSE loans, allowing many to potentially drop mortgage insurance while also reducing their rates
- In fact, Black Knight's eMBS agency securities data shows the GNMA share of the refinance market declining noticeably since the onset of the pandemic while the GSE share has increased, with such FHA-to-GSE refis one likely driver
- Data on securitizations by purpose shows the GNMA share of purchase lending has also been declining, falling below 40% in both April and May for the first time in recent history
- In contrast, the GSE share of purchase lending has increased as stricter FHA property inspection requirements may make for less attractive offers to sellers in the hyper-competitive real estate market

JACKSONVILLE, Fla. – July 7, 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 at the continued, unprecedented levels of home price growth, and the impact that growth is having on mortgage lending and borrower behavior. According to Black Knight Data & Analytics President Ben Graboske, home price appreciation continues to break records, with ramifications that stretch across the real estate and mortgage markets.

"The Black Knight HPI shows home prices in May up nearly 18% from the same time last year," said Graboske. "Frankly, home values are appreciating at rates we've simply never seen before, as low interest rates, ultra-scarce inventory and increasingly competitive homebuyers combine to create a truly unprecedented market.

"Indeed, the rate of growth has been accelerating by more than 2% in each of the past two months, and May's

2.1% rise marked the sharpest monthly jump on record. Single-family home prices are up more than 18% from last May – also a record. And the growth has been widespread – home price appreciation accelerated in each of the nation’s 100 largest metros in May, with even the slowest appreciating metro area now seeing at least 10% annual growth. Data from our Collateral Analytics Group suggests even further acceleration may be on tap, as the median sales price of single-family homes in the first three weeks of June was already up 25% year-over-year.

“The impacts are widespread as well. Obviously, as home values increase, so do levels of available, tappable equity, which hit an all-time high of \$8.1 trillion in Q1. In turn, rising equity levels provide homeowners with more refinance options – switching from an FHA to a GSE loan, for example, to both lower a borrower’s interest rate and potentially eliminate mortgage insurance payments at the same time. Digging into our eMBS data, we do find that the GNMA share of agency securitizations has fallen noticeably since the onset of the pandemic.

“Back then, GNMA securities – comprised primarily of FHA and VA loans – made up about a third of agency securitizations; today they’re less than 25%,” Graboske continued. “Looking at securitizations by purpose, we see the GNMA share of purchase lending has also been falling, dropping below 40% in April and May for the first time in recent history. In contrast, the share of GSE purchase lending has increased as stricter FHA property inspection requirements may be making for less attractive offers in today’s hyper-competitive real estate market, when sellers are often choosing between multiple offers and looking for any reason to thin the herd.”

The report also found that, with tappable equity at record highs and interest rates remaining relatively low, cash-outs are starting to make up a larger share of refinance lending, especially with rate/term refis on the decline. Nearly half of all tappable equity – the amount available to a homeowner with a mortgage to borrow against before hitting a maximum 80% combined loan-to-value (CLTV) ratio – is held by borrowers with current interest rates of 3.75% or higher, providing many homeowners with the opportunity to simultaneously reduce their interest rates while also tapping into record levels of available equity. Indeed, Black Knight's Optimal blue rate lock data shows 42% of refinance loans locked through the first three weeks of June were cash-outs, the highest such share in more than two years. On the other side of the spectrum, nearly a quarter of tappable equity is held by borrowers with sub-3% interest rates. This could create increased demand for second lien home equity lending (including HELOCs) in coming years should 30-year rates continue to rise, making cash-out refinances a less attractive route to accessing equity for such homeowners. Much more detail can be found in Black Knight’s May 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/](http://www.blackknightinc.com/).

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