

Black Knight: Servicers Face Operational Challenge of Processing Up To 18,000 Forbearance Plans Per Day as Newly Detailed Forbearance Timelines Frontload Expirations to the Fall

- As of July 20, of the 7.3 million homeowners who have been in COVID-19-related forbearance at some point since the onset of the pandemic, approximately 1.86 million remain in active plans
- Recently, FHFA, FHA, VA and USDA have provided clarifying details on varying maximum allowable forbearance periods depending on when a plan was initially requested, with each agency's matrix differing from the others
- As a result, forbearance plans started as much as seven months apart would now expire simultaneously, assuming borrowers stayed in for the maximum allowable term
- This would concentrate expiration activity later this year, particularly among FHA borrowers who may face heightened challenges in returning to making mortgage payments post-forbearance
- Under the current expiration matrices, 65% of all plans – including nearly 80% of all FHA and VA loans now in forbearance – would expire through the remainder of 2021, approximately 1.2 million in total
- With the bulk of expirations now coming earlier than anticipated, servicers face mounting operational challenges related to such a large volume of complex, post-forbearance loss mitigation efforts
- Nearly 750,000 active plans would now expire in September and October alone, putting servicers in the position of having to process up to 18,000 plans per business day over those two months

JACKSONVILLE, Fla. – Aug. 2, 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. Considering recently updated forbearance expiration timelines announced by FHFA, FHA, VA, and USDA, this month's report looks at the impact of the many varying allowable forbearance periods. According to Black Knight Data & Analytics President Ben Graboske, due to the complexity of the expiration matrices across different agencies, the operational challenge mortgage servicers were already facing this fall has been compounded even more.

"Prior to the agencies issuing clarifying guidance on allowable forbearance periods, some 950,000 plans were set to expire over the final six months of the year – representing about half of all loans in forbearance," said Graboske. "That estimate assumed a blanket 18-month maximum allowable forbearance period. However, now we have detailed matrices of differing forbearance periods across the various agencies. Depending upon the

specific agency and when forbearance was initially requested by the homeowner, a plan can have a 6-, 12-, 15- or 18-month limit. Assuming borrowers stay in for the maximum allowable term, this means plans that started as much as seven months apart are now scheduled to expire simultaneously, frontloading expirations of forbearance plans sooner than estimated.

“As a result, 65% of active plans – representing approximately 1.2 million homeowners – are now set to expire over the rest of 2021, including nearly 80% of all FHA and VA loans in forbearance. Nearly three quarters of a million plans would expire in September and October alone. Over the course of just two months this fall, the nation’s mortgage servicers would have to process up to approximately 18,000 expiring plans per business day, guiding borrowers through complex loss mitigation waterfalls directed by changing regulatory requirements. The operational challenge this represents is staggering, even before noting the oversized share of FHA and VA loans. Given the heightened challenges those borrowers may face in returning to making mortgage payments as compared to those in GSE loans, effective loss mitigation efforts and automated processes become even more critically important.”

The report also found that past-due principal, interest, taxes and insurance (PITI) payments have risen by \$32 billion since the onset of the pandemic. More than \$9 billion in homeowner assistance funds (HAF) have been allocated as part of the American Rescue Act to help assist borrowers with past-due payments. Assuming 100% of allocated HAF dollars goes directly to helping homeowners become current on missed mortgage payments – unlikely, given the program outlines other potential uses – the allocated funds would cover approximately 30% of the pandemic-related rise in past-due mortgage payments at the national level. However, that percentage varies noticeably from state to state, with some states’ minimum HAF allocation enough to more than pay off all pandemic-related, past-due mortgage payments, while that of other states barely covers a tenth of outstanding volumes. Much more detail can be found in Black Knight’s June 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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