BLACK KNIGHT FINANCIAL SERVICES

Press Release

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Black Knight's Mortgage Monitor: Q1 2017 Originations Fall 34 Percent, Led By 45 Percent Drop in Refinance Lending; Despite Recent Rate Softening, Home Affordability Remains Near Post-Recession Low

- Overall, $372B in first-lien mortgages were originated in Q1 2017, marking a 9.0 percent decline from Q1 2016 and the lowest point seen since Q4 2014
- Refinance lending was down 45 percent from Q4 2016 and 20 percent from the same time last year; purchase originations fell 21 percent on a quarterly basis, but were up 3.0 percent from Q1 2016
- Higher-credit-score borrowers (740 and up) saw the greatest decline in refinance activity, seeing volume decline by 50 percent
- After surpassing the pre-crisis peak for the first time in February, home prices saw the largest monthly rise in nearly four years in March
- The Black Knight Home Price Index value is now at 1.5 percent above the prior peak observed in 2006
- The share of the median income necessary to make principal and interest payments on the median-priced home each month remains near a post-recession high at 22.6 percent

JACKSONVILLE, Fla. -- June 5, 2017 -- Today, the Data & Analytics division of Black Knight Financial Services, Inc. (NYSE: BKFS) released its latest Mortgage Monitor Report, based on data as of the end of April 2017. This month, Black Knight looked at Q1 2017 purchase and refinance originations, finding significant quarterly declines in volume among both. As Black Knight Data & Analytics Executive Vice President Ben Graboske explained, the declines are rooted in the upward interest rate shift seen in Q4 2016.

"Overall, first lien mortgage originations fell by 34 percent in the first quarter of 2017," said Graboske. "As expected, the decline was most pronounced in the refinance market, which saw a 45 percent decline from Q4 2016 and were down 20 percent from last year. They also made up a smaller share of overall originations than in the past; just 45 percent of total Q1 originations were refinances vs. 54 percent in Q4 2016. Purchase originations were also down 21 percent from Q4 2016, although the first quarter is historically the calendar-year low for such lending. Purchase lending was up year-over-year, but the three percent annual growth is a marked decline from Q4 2016's 12 percent, and marks the slowest growth rate Black Knight has observed in more than three years – going back to Q4 2013. At that point in time, interest rates had risen abruptly – very similarly to what we saw at the end of 2016 – and originations slowed considerably. The same dynamic is at work here.

"Likewise, refinance lending among higher-credit-score borrowers, who have largely driven the refinance market these past several years, saw a quarterly decline of 50 percent. As we've seen in the past, these borrowers tend to strike quickly and often when interest rate incentives are present, but tend to hold back when the conditions are less favorable. At the other end of the credit spectrum, lower credit borrowers – those with credit scores below 700 – only saw refinance volumes decrease by 24 percent. Again, we saw a similar phenomenon when rates rose in late 2013/early 2014. This is worth noting as we monitor the future performance of 2017 originations. Not only are refinances -- which generally tend to outperform purchase mortgages -- making up a smaller share of the market, but there's also been a net lowering of average credit scores as well. The average Q1 2017 refinance credit score was 742, down from 751 in Q4 2016, and the lowest average credit score since Q3 2014. Both of these factors could have a dampening factor on mortgage performance, holistically speaking."

After surpassing their pre-crisis peak for the first time in February, home prices rose another 1.3 percent in March – the largest monthly increase in nearly four years. In light of this, and 59 consecutive months of annual home price appreciation, Black Knight revisited its analysis of the share of the median income required to purchase the median-priced home, finding that despite recent interest rate softening, home affordability remains near a post-recession low. At the prevailing 30-year conforming mortgage rate (4.02 percent as of May 18), it currently requires 22.6 percent of the median income to make the monthly principal and interest (P&I) payment on the median-priced home. Though affordability is being stressed – in some geographical areas more so than others – it remains far below the peak of 35 percent of income required in 2006, and still not quite at the pre-crisis average of 26.7 percent from 2000-2005. As of now, just California, Hawaii and the District of Columbia have worse affordability than their 2000-2005 averages. Nine states, plus D.C., have already surpassed their long-term 1995-1999 benchmark averages. The national payment-to-income ratio for that benchmark period was 24.2 percent.

As was reported in Black Knight's most recent First Look release, other key results include:

Total U.S. loan delinquency rate:	4.08%
Month-over-month change in delinquency rate:	12.93%
Total U.S. foreclosure pre-sale inventory rate:	0.85%
Month-over-month change in foreclosure pre-sale inventory rate:	-3.47%
States with highest percentage of non-current* loans:	MS, LA, AL, WV, ME
States with lowest percentage of non-current* loans:	OR, MT, MN, ND, CO
States with highest percentage of seriously delinquent** loans:	MS, LA, AL, AR, TN

*Non-current totals combine foreclosures and delinquencies as a percent of active loans in that state.
**Seriously delinquent loans are those past-due 90 days or more.
Totals are extrapolated based on Black Knight Financial Services' loan-level database of mortgage assets.

About the Mortgage Monitor
The Data & Analytics division of Black Knight Financial Services manages the nation's leading repository of loan-level residential mortgage data and performance information on 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 company'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: http://www.BKFS.com/CorporateInformation/NewsRoom/Pages/Mortgage-Monitor.aspx

About Black Knight Financial Services, Inc.
Black Knight Financial Services, Inc. (NYSE: BKFS) is a leading provider of integrated technology, data and analytics solutions that facilitate and automate many of the business processes across the mortgage lifecycle.

Black Knight Financial Services is committed to being a premier business partner that lenders and servicers rely on to achieve their strategic goals, realize greater success and better serve their customers by delivering best-in-class technology, services and insight with a relentless commitment to excellence, innovation, integrity and leadership. For more information on Black Knight Financial Services, please visit www.BKFS.com.

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