Press Release

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Black Knight's Mortgage Monitor: Historical Data Suggests Up to 300,000 Delinquent Borrowers May Use Tax Refunds to Pay Mortgages Current; Affordability Suffers from Rate Increases

- Internal Revenue Service data shows that most tax refunds are distributed in February and March, well before the tax deadline
- In recent years, nearly 300,000 additional borrowers paid their mortgages current in February and March alone, on top of normal monthly cure activity
- At 40 percent, FHA/VA loans see the most pronounced spike in tax season cures, with early and moderate stage delinquencies seeing the greatest impact
- Interest rate increases have made housing the least affordable it has been since 2010; it now takes 22.2 percent of median income to purchase the median-priced home
- Q4 2016 saw a 10 percent rise in the principal and interest payment required to purchase the median-priced home

JACKSONVILLE, Fla. -- Feb. 6, 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 December 2016. This month, Black Knight examined Internal Revenue Service (IRS) tax filing statistics in conjunction with mortgage performance data to quantify potential impacts of the upcoming tax season on the mortgage market. As Black Knight Data & Analytics Executive Vice President Ben Graboske explained, there has historically been a distinct correlation between income tax refund disbursements and delinquent mortgages curing to current status.

"Looking at IRS filing statistics, we see that nearly one in five Americans file their returns within the first two weeks of tax season, and over 40 percent had completed their taxes by the first week in March," said Graboske. "Unsurprisingly, incentive played a big role in this timing; not only were Americans who filed early more likely to receive a refund than those filing later, but they also received larger refunds on average. Likewise, mortgage cures -- delinquent borrowers who bring themselves back to current status -- correspondingly spike in February and March as well, suggesting that some portion of Americans are using their tax refunds to make past-due payments on their mortgages. In recent years, this has meant nearly 300,000 borrowers on average paying their loans current in February and March alone, on top of normal cure volumes for the typical month. All things being equal, there's no reason to expect this tax season to be any different.

"We see this increase in cures across the delinquency and foreclosure spectrum, but it is most pronounced in the early and moderate stages of delinquency. This makes sense, in that a tax refund may be sufficient to pay a few months of past-due mortgage payments, but is likely not enough to bring a homeowner out of severe delinquency. Likewise, the most pronounced impact was seen among FHA/VA borrowers, who might be expected to have less cash reserves on hand

and therefore be more dependent upon the infusion of funds during tax refund season to pay down late payments.

"FHA/VA borrowers see loan cures increase by an average of 40 percent in February and March – as compared to just 26 percent for GSE loans. In fact, FHA/VA loans see the most seasonal fluctuation in delinquency rates overall throughout the year compared to other categories. While the inflow in early spring from tax refunds gives these borrowers a needed infusion of funds, the data also shows they tend to struggle more when the funds burn off late in the year and money becomes tight around the holiday spending season."

In light of the current interest rate environment and continued home price appreciation (HPA), Black Knight also returned to the subject of home affordability. Historically low interest rates had been helping to accelerate HPA, but that was prior to interest rates on 30-year mortgages rising by 75 basis points in November alone. With today's prevailing 30-year conforming mortgage rate (4.19 percent as of Jan. 26, 2017) housing is now the least affordable it's been since 2010, requiring 22.2 percent of the median income to make the monthly principal and interest (P&I) payment on the median-priced home. In total, the monthly P&I payment required to purchase the median-priced home increased 10 percent in Q4 2016 alone. Nationally, homes remain more affordable than pre-bubble "norms," but it's clear that the market is now experiencing the most pressure -- from an affordability perspective -- since the housing recovery began.

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

Total U.S. loan delinquency rate:	4.42%
Month-over-month change in delinquency rate:	-0.91%
Total U.S. foreclosure pre-sale inventory rate:	0.95%
Month-over-month change in foreclosure pre-sale inventory rate:	-3.29%
States with highest percentage of non-current* loans:	MS, LA, WV, AL, NJ
States with lowest percentage of non-current* loans:	ID, 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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