BLACK KNIGHT

Press Release

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Black Knight's Mortgage Monitor: Homes in Lowest Price Tiers Continue to See Greatest Appreciation, Tightest Affordability

- 30-year fixed mortgage interest rates rose by 43 BPS in the first six weeks of 2018, pushing affordability to its lowest point since 2009
- Properties in the lowest 20 percent of home prices (Tier 1) have been the fastest-appreciating quintile for 67 consecutive months
- Such Tier 1 properties are seeing an annual rate of appreciation of 8.5 percent; 1.9 percent higher than the market average, and more than 3.6 percent above that of Tier 5 properties (those in the highest 20 percent of home prices)
- Given the disproportionate appreciation of low-priced homes as compared to income growth, affordability at the lower end of the market remains a challenge
- Recent affordability reductions from higher rates could put more pressure on lower-income buyers by increasing competition for lower-priced homes, as borrowers' overall buying power is diminished
- Recent rate increases have put more pressure on a shrinking refinance market as well, cutting the population of potential refi candidates by 40 percent

JACKSONVILLE, Fla. -- March 5, 2018 -- Today, the Data & Analytics division of Black Knight, Inc. (NYSE:BKI) released its latest Mortgage Monitor Report, based on data as of the end of January 2018. This month, Black Knight looked at the impact of recent interest rate rises on home affordability. While affordability remains better than long-term averages nationally, home prices at the lower end of the market are less affordable than the national average, particularly for those in lower income levels. As Black Knight Data & Analytics Executive Vice President Ben Graboske explained, the root of the issue has been the consistently higher-than-market-average rate of home price appreciation among properties in the lowest 20 percent of home prices nationally.

"Prices on Tier 1 properties – those in the lowest 20 percent of home values – have been appreciating at a faster rate than all other tiers for 67 consecutive months," said Graboske. "The annual rate of appreciation for these homes is 1.9 percent higher than the market average, and more than 3.6 percent higher than that of properties in the top 20 percent of prices (Tier 5). Larger overall increases in value among lower-priced homes is not just a recent trend, though; the same dynamic is observed when looking back over the past 15 years. While the nearly 50 percent increase in the median home price over that period has significantly outpaced the approximately 40 percent growth in the median income, lower interest rates today have more than offset that difference. However, according to Census Bureau data, income growth in the lower quintiles has not kept up with the higher ends of the market. This has clear implications for home affordability in this segment of the population, even more so in light of the 43 BPS increase in interest rates seen in just the first six weeks of 2018.

"Overall affordability remains better than long-term historical averages, even taking the recent rate jump into consideration. Currently, it takes 23 percent of the median income to purchase the median home nationally, which is still 1.9 percent below the averages seen from 1995-2003. But those in lower income levels are much closer – if not above – such long-term benchmarks. It seems evident that further affordability reductions from rising interest rates could put more pressure on lower-income buyers by increasing competition for lower priced homes, as borrowers' overall buying power is diminished."

The spike in 30-year fixed mortgage interest rates also had the effect of cutting the population of borrowers with interest rate incentive to refinance by nearly 40 percent in 40 days. Approximately 1.4 million borrowers lost the interest rate incentive to refinance in just the first six weeks of 2018. This leaves 2.65 million potential candidates who could still both benefit from and likely qualify for a refinance at today's rates, the smallest that population has been since late 2008, prior to the initial decline in rates during the recession. This represents another challenge to a consistently shrinking refinance market. Refinance lending declined significantly in 2017, with the total number of originations down 29 percent, and total volume down by $355 billion, a 34 percent year-over-year decline.

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

Total U.S. loan delinquency rate:	4.31%
Month-over-month change in delinquency rate:	-8.57%
Total U.S. foreclosure pre-sale inventory rate:	0.66%
Month-over-month change in foreclosure pre-sale inventory rate:	1.84%
States with highest percentage of non-current* loans:	MS, LA, FL, AL, WV
States with lowest percentage of non-current* loans:	ID, WA, OR, ND, CO
States with highest percentage of seriously delinquent** loans:	FL, MS, LA, TX, AL

*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's loan-level database of mortgage assets.

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 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
Black Knight (NYSE:BKI) is a leading provider of integrated software, data and analytics solutions that facilitate and automate many of the business processes across the homeownership lifecycle.

As a leading fintech, Black Knight is committed to being a premier business partner that clients rely on to achieve their strategic goals, realize greater success and better serve their customers by delivering best-in-class software, services and insights with a relentless commitment to excellence, innovation, integrity and leadership. For more information on Black Knight, please visit http://www.blackknightinc.com/.

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