Press Release

For more information:

Michelle Kersch
904.854.5043
michelle.kersch@bkfs.com

Mitch Cohen
646.926.7741
mitch@mprg.com

Black Knight's Mortgage Monitor: Purchase Lending Hits Highest Level Since 2007 Despite Continued Headwinds from Tight Lending; Refinance Share at 16-Year Low

- $467 billion in first lien mortgages, including both purchase and refinance loans, were originated in Q2 2017, a 20 percent increase over Q1 2017, but down 16 percent from the same time last year
- A 20 percent, $37 billion quarterly decline in refinances was more than offset by a 57 percent, $117 billion seasonal increase in purchase lending
- Refinances accounted for 31 percent of all mortgage originations in Q2 2017, the lowest share since 2000
- Purchase lending is now at its highest level since 2007, but the number of purchase originations lags pre-crisis norms by nearly 30 percent
- Borrowers with credit scores of 720 or higher accounted for 74 percent of Q2 2017 purchase loans, as compared to a pre-crisis (2000-2003) average of 47 percent
- 65 percent fewer purchase mortgages are going to borrowers with sub-720 credit scores than the pre-crisis average

JACKSONVILLE, Fla. -- Sep. 11, 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 July 2017. Reviewing second quarter mortgage origination volumes, Black Knight finds that while overall mortgage lending saw a 20 percent increase over Q1 2017, total volumes were down 16 percent from Q2 2016. Additionally, although purchase lending hit its highest level in 10 years, the total number of purchase mortgages being originated still falls far below pre-crisis (2000-2003) averages. As Black Knight Data & Analytics Executive Vice President Ben Graboske explained, more stringent credit requirements enacted in the wake of the Great Recession may be hampering purchase lending volumes.

"We saw positive growth in lending in the second quarter, with $467 billion in first lien mortgages originated," said Graboske. "While down 16 percent from a year ago, that marks a 20 percent increase in mortgage lending over Q1. Drilling down into the make-up of those originations, we see that refinance lending made up just 31 percent of all Q2 originations – the lowest such share in over 16 years. Refinance volumes were down as well, falling 20 percent from Q1, but that drop was more than offset by a 57 percent seasonal rise in purchase lending. Purchase originations totaled $321 billion in Q2 2017; up six percent from last year, and the highest quarterly volume since 2007. As a result of growing average loan amounts for purchase originations, the total dollar amount of purchase originations is higher than averages seen from 2000-2003, prior to both the peak in home prices and the Great Recession that followed. This is partly due to rising home prices, but also comes as a result of an all-but-total absence of second lien usage for purchases, a shift toward high-dollar/low-risk loans among non-agency lenders and a higher share of cash purchases at the lower end of the market.

"However, the number of purchase loans being originated still lags the pre-crisis average by almost 30 percent; while overall purchase origination volumes are strong from a total dollar amount perspective, the market still does not appear to be performing at peak capacity. One key cause is the more stringent purchase lending credit requirements enacted in response to the financial crisis. Consider that borrowers with credit scores of 720 or higher accounted for 74 percent of all Q2 2017 purchase loans as compared to a pre-crisis average of 47 percent. Today, there are 65 percent fewer purchase loans being originated to borrowers with credit scores below 720 than in those years. The lack of credit availability for those borrowers is causing a strong headwind for the purchase market. Using 2000-2003 averages as a measure, as many as 645,000 purchase loans were not originated in Q2 due to tighter lending standards. To put it another way, the purchase market is operating at less than two-thirds of peak capacity because of these factors."

Additionally, this month Black Knight assessed the impact of the recently announced extension of the federal government's Home Affordable Refinance Program (HARP) through the end of 2018. As 3.5 million borrowers have already utilized the program and after years of continual home price gains, the HARP-eligible borrower pool is relatively shallow. As of the end of July, there are only approximately 108,000 borrowers that would both meet HARP eligibility requirements and that have at least 75 BPS of interest rate incentive to refinance through the program. HARP eligibility is limited for the 2.5 million active GSE mortgages with current LTVs above 80 percent due to the requirement that loans have been originated pre-June 2009. Even expanding that to the bottom of the housing market in January 2012 – to include all borrowers negatively impacted by the downturn in home prices during the recession – would only increase the HARP-eligible/incented population by approximately 50,000.

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

Total U.S. loan delinquency rate:	3.90%
Month-over-month change in delinquency rate:	2.82%
Total U.S. foreclosure pre-sale inventory rate:	0.78%
Month-over-month change in foreclosure pre-sale inventory rate:	-2.96%
States with highest percentage of non-current* loans:	MS, LA, AL, WV, ME
States with lowest percentage of non-current* loans:	MT, OR, 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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