Press Release

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Black Knight's Mortgage Monitor: 'Brexit' Effect Increases Refinanceable Population to 8.7 Million; Auto Debt Among Mortgage Holders at Highest Level in at Least 10 Years

- 8.7 million potential refinance candidates mark the largest refinanceable population since late 2012
- 1.2 million borrowers with 4.25 percent interest rates gained refinance incentive in just two weeks post-"Brexit"
- Rising home prices continue to offset the bulk of purchase mortgage savings from interest rate declines
- Half of all mortgage holders are now carrying auto debt for an aggregate of $531 billion, the highest on record
- Borrowers seriously delinquent on auto debt are eight times more likely to be behind on mortgage payments

JACKSONVILLE, Fla. – Aug. 1, 2016 -- 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 June 2016. After the United Kingdom voted to leave the European Union on June 23, 2016, increased investor interest in U.S. Treasury Bonds again drove down mortgage interest rates. In light of this development, Black Knight analyzed the effect that new multi-year lows in rates are having on the population of 30-year mortgage holders who could both likely qualify for and benefit from refinancing. As Black Knight Data & Analytics Executive Vice President Ben Graboske explained, in the current rate environment, the effect of even slight declines in mortgage interest rates have proven to have far-reaching impact on the refinanceable population, though much less than one might think on home affordability.

"The reality is that, post-'Brexit,' mortgage interest rates declined by about 15 basis points – not significant in the grand scheme of things," said Graboske. "But for 2.8 million borrowers with current rates right at 4.25 percent, this modest decline was enough to put them 75 basis points above today's prevailing rate, the point at which we consider a borrower to have incentive to refinance. Of these, 1.2 million also meet broad-based eligibility criteria -- loan-to-value ratios of 80 percent or less, credit scores of 720 or higher and are current on their mortgage payments -- bringing the total refinanceable population to 8.7 million, the highest level we've seen since late 2012. However, unlike the 66 percent of borrowers Black Knight identified a few months ago, who could have both likely qualified for and had incentive to refinance in the spring of 2015 but for whatever reason didn't do so, the vast majority of these new candidates did not have such incentive last year. This has produced a nearly 50 percent increase in the number of borrowers with newfound incentive to refinance, which may well be creating a more pronounced impact on refinance applications and originations as these borrowers rush to take advantage.

"At the same time, the 55 BPS reduction in rates we've seen over the first six months of this year would normally have done a great deal to increase home affordability ratios. All else being equal, the monthly mortgage payment on the average-priced home should be approximately $63 less per month than it was at the end of 2015. The post-'Brexit' decline alone would have decreased that payment by about $15 per month. However, as home values continue to appreciate -- at a

5.4 percent annual rate according to the most recent Black Knight Home Price Index report – the bulk of mortgage savings are being offset by rising prices. Purchasing a median-priced home today requires roughly 21 percent of the median household income; much less than at the height of the bubble, and below the 2000-2002 average of 26 percent. What we need to keep an eye on is what would happen if and when interest rates begin to rise again – especially if sustained low rates continue to fuel home price appreciation as they have. Even if prices stay flat – unlikely as that is – a one percent rate increase would push affordability to 24 percent, while a two percent rate increase would put affordability well above the 2000-2002 average. The question becomes, what is a sustainable ratio in a market where Qualified Mortgage lending is the norm and student loan and other non-mortgage-related debt is on the rise?"

To that end, Black Knight also again merged credit bureau data with its McDash loan-level mortgage database to examine the pervasiveness of automotive loan debt among U.S. mortgage holders, finding that the aggregate debt amount ($531 billion), average debt per borrower ($20,500) and the share of borrowers carrying auto debt (50 percent) are all the highest on record, dating back to at least 2006. While total outstanding balances on auto loans are up nearly 30 percent from 2011 and average debt per borrower is up by nearly 20 percent, the average monthly payment for borrowers with auto debt is only up five percent or $25 per month, due to extended financing terms and low interest rates. The combined mortgage performance and credit data shows that borrowers who are seriously delinquent on their auto debt (90 or more days past due) are eight times more likely to be behind on their mortgage payments as well, a stronger correlation to delinquency than Black Knight saw last month with regard to student debt delinquencies. However, borrowers with auto debt in good standing actually have lower non-current mortgage rates than borrowers without, with 4.5 percent of the former being delinquent on their mortgage payments, as opposed to 5.8 percent for the latter.

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

Total U.S. loan delinquency rate:	4.31%
Month-over-month change in delinquency rate:	1.33%
Total U.S. foreclosure pre-sale inventory rate:	1.10%
Month-over-month change in foreclosure pre-sale inventory rate:	- 2.57%
States with highest percentage of non-current* loans:	MS, LA, NJ, AL, ME
States with lowest percentage of non-current* loans:	MT, SD, MN, CO, ND
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), a Fidelity National Financial (NYSE:FNF) company, 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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