Press Release

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Black Knight's Mortgage Monitor: Low-Down-Payment Purchase Lending at Seven-Year High, Largely a Product of Overall Purchase Market Growth

- Over the past 12 months, 1.5 million borrowers have purchased a home using down payments below 10 percent
- Such low-down-payment loans currently account for nearly 40 percent of all purchase originations
- Five-to-nine-percent-down-payment purchase lending grew at twice the rate of the overall purchase market in late 2016; less-than-five-percent-down loans saw growth at about the market average
- The average credit score on high-LTV purchase loans today is approximately 50 points higher than those originated in 2004-2006; among GSE loans, average credit scores are approximately 60 points higher
- FHA/VA market share is declining as GSEs expand low-down-payment lending footprint; over a quarter of GSE purchase lending in 2016 and early 2017 involved down payments of less than 10 percent

JACKSONVILLE, Fla. – Aug. 7, 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 June 2017. This month, in light of much commentary and speculation on the re-emergence of purchase loans with loan-to-value (LTV) ratios of 97 percent or higher, Black Knight looked at low-down-payment purchase lending trends, gaining some early insight into the performance of these products. As Black Knight Data & Analytics Executive Vice President Ben Graboske explained, in general, low-down-payment purchases are on the rise, but this does not necessarily mean a return to the practices – and risks – of the past.

"Over the past 12 months, approximately 1.5 million borrowers have purchased homes using less-than-10-percent down payments," said Graboske. "That is close to a seven-year high in low-down-payment purchase volumes. The increase is primarily a function of the overall growth in purchase lending, but, after nearly four consecutive years of declines, low-down-payment loans have ticked upwards in market share over the past 18 months as well. In fact, they now account for nearly 40 percent of all purchase lending. The bulk of the growth has not been among the various three-percent-or-less down payment programs that have been reintroduced in the last few years, but rather in five-to-nine-percent down payment mortgages. This segment grew at twice the rate of the overall purchase market in late 2016, whereas lending with down payments of less than five percent grew at about the market average.

"However, low-down-payment purchase lending today has a much different risk profile than it did back in 2005-2006 during the run-up to the financial crisis. At that time, half of all low-down-payment purchase originations involved 'piggyback' second liens, as opposed to a single high-LTV first lien mortgage. It's also worth noting that while the total share of purchase lending going to borrowers putting less than 10 percent down was relatively similar then to what we see today, today's low-down-payment mortgage products and secondary risk characteristics are markedly different. In the pre-crisis years, a large proportion of low-down-payment loans were more risky adjustable rate mortgages (ARMs). In contrast, ARMs are virtually nonexistent today among high-LTV loans. Perhaps the most telling difference is that borrowers using these programs today have average credit scores roughly 50 points higher than those approved for high-LTV purchase loans in 2004-2007. Among GSE loans with down payments under five percent, average credit scores are 60 points higher today."

Overall, defaults among current high-LTV mortgages remain low and performance has been much better than among similar loans in 2005-2006, likely due to a much improved borrower risk profile. After 15 months of observation, the serious delinquency rate of 97 percent LTV GSE originations is markedly higher than that of 95 percent LTV loans. However, in looking at the 2015 vintage, only one in approximately 450 GSE loans with an LTV of 96 percent or higher observed within the study was 90 or more days past due 15 months after origination. Based on early performance observations, today's 96+ percent LTV GSE purchase loans have a serious delinquency rate over 90 percent below that of those originated in 2004 and 2005.

Although the FHA/VA served historically as the primary source for such lending -- particularly in the years immediately following the onset of the financial crisis -- the market share in this segment has recently declined as the GSEs have expanded their low-down-payment lending footprints. In 2016 and early 2017, Fannie Mae and Freddie Mac accounted for over 10 percent of all sub-five-percent-down purchase lending, their largest such market share since early 2008. In fact, over 25 percent of all GSE purchase loans are now going to borrowers with down payments of less than 10 percent, indicating a significant change in the landscape of GSE purchase lending. While their market share has declined, the FHA/VA still controls the majority of the sub-five-percent-down purchase space with over 80 percent of all such lending coming from those two entities.

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

Total U.S. loan delinquency rate:	3.80%
Month-over-month change in delinquency rate:	0.12%
Total U.S. foreclosure pre-sale inventory rate:	0.81%
Month-over-month change in foreclosure pre-sale inventory rate:	-2.71%
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

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