Press Release

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Black Knight's Mortgage Monitor: 19 Percent of Active HELOCs Are Scheduled to Reset in 2017; Represents Final Wave of Pre-Crisis Home Equity Lines

- More than 1.5 million home equity lines of credit (HELOCs) will see interest-only draw periods end in 2017, with payments becoming fully amortizing, roughly 100,000 less than in 2016
- Just under $100 billion in outstanding unpaid principal balances (UPB) on HELOCs are facing resets in 2017, with an average $62,500 UPB per line of credit
- On average, HELOC borrowers whose lines reset in 2017 will see payment increases of $250 per month, more than doubling current average monthly payments
- One in five borrowers facing HELOC resets in 2017 have less than 10 percent equity in their homes, making refinancing problematic; this represents a decline from 31 percent of borrowers facing resets last year
- Recent interest rate declines have increased the refinanceable population to 4.1 million, a 46 percent increase from mid-March and the highest point yet in 2017
- Interest rate fluctuations have caused the refinanceable population to increase or decrease by as much as 20 percent from week to week throughout Q1 2017

JACKSONVILLE, Fla. -- May 1, 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 March 2017. This month, Black Knight took a closer look at home equity lines of credit (HELOCs), particularly on the share of HELOCs with draw periods – typically a 10-year term of interest-only payments before payments become fully amortizing – ending in 2017. Accounting for just under $100 billion in outstanding unpaid principal balances (UPB), these HELOCs represent the last of the pre-crisis lines of credit – those originated from between 2004 and 2007. As Black Knight Data & Analytics Executive Vice President Ben Graboske explained, as draw periods end and HELOCs reset with new payments, borrowers can face very different monthly obligations.

"In 2017, 19 percent of active HELOCs are facing reset," said Graboske. "This is the largest share of active HELOCs facing reset of any single year on record, although the approximate 1.5 million borrowers slated to see their HELOC payments increase this year is about 100,000 fewer borrowers than in 2016. With the lines beginning to reset this year and early into 2018, we're seeing the last of the pre-crisis-era HELOCs that the industry has been focusing on since early 2014. After deceleration in early 2018, we will have a lull of several years in reset activity. On average, borrowers facing resets this year are looking at a 'payment shock' of about $250 per month over their current HELOC payments – more than doubling their current payments, in fact. Historically, those increases have impacted HELOC performance significantly; delinquency rates of 2006 vintage HELOCs – which reset last year – jumped by 74 percent. That was marginally lower than the 2004 and 2005 vintages, which saw delinquency rates rise by 90 and 88 percent, respectively. Payment shocks remain high for lines resetting in 2018 but then drop along with the overall volume of resets in 2019.

"One thing that's working in the 2007 vintage HELOCs' favor has been the equity and interest rate environment of the last year. Rising home prices and low interest rates throughout 2016 have allowed borrowers to be much more proactive than in years past in terms of paying off or refinancing their lines to avoid increased monthly payments. For those still facing resets, however, equity continues to be a struggle. One-third of borrowers whose HELOCs will reset in 2017 have less than 20 percent equity in their home, making refinancing problematic. One in five have less than 10 percent, and one in 10 are actually underwater. Even that reflects improvement in home prices, though; last year 45 percent of borrowers facing reset had less than 20 percent equity and nearly 20 percent were underwater."

As mortgage interest rates have shifted by about 30 BPS in either direction throughout Q1 2017, it has likewise caused fluctuations in the population of borrowers who could both likely qualify for and have interest rate incentive to refinance. In fact, in any given week, relatively small interest rate movements have increased or decreased the size of the refinanceable population by as much as 20 percent. The 30-year prevailing rate, which recently dropped back below 4.0 percent, was enough to drive the number of refinance candidates to 4.1 million, up 46 percent from mid-March and to the highest level so far in 2017. Despite the increase, the refinanceable population is still less than half the size it was (down 4.5 million) in October 2016 when rates were under 3.5 percent. Such fluctuations in rates and their impact on refinance candidates will likely continue to result in volatility in both refinance originations and correspondingly to prepayment activity. Case in point: thus far in 2017, Black Knight has observed prepay rates dropping by 40 percent to a three-year low in February before jumping 20 percent in March.

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

Total U.S. loan delinquency rate:	3.62 %
Month-over-month change in delinquency rate:	-14.08%
Total U.S. foreclosure pre-sale inventory rate:	0.88%
Month-over-month change in foreclosure pre-sale inventory rate:	-4.60%
States with highest percentage of non-current* loans:	MS, LA, AL, NJ, WV
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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