Press Release

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Black Knight's Mortgage Monitor: Underwater Borrower Population Below Two Million for First Time Since 2006; Tappable Equity Likely to Hit Record High This Summer

- The number of underwater borrowers declined by 16 percent in the first three months of 2017
- 350,000 borrowers regained equity in Q1 2017, bringing the total underwater population down to 1.8 million
- The underwater population has fallen by nearly one million borrowers since last year, a 35 percent annual decline
- Nearly half of remaining underwater borrowers live in the bottom 20 percent of homes by price in their markets
- Tappable equity has risen by $695 billion from last year, bringing total lendable equity to just under $5 trillion
- Over 40 million Americans have tappable equity available in their homes today; the largest population on record

JACKSONVILLE, Fla. -- July 10, 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 May 2017. This month, Black Knight finds that rising home prices have both decreased the number of borrowers underwater on their mortgages while increasing the amount of tappable – or lendable – equity available to homeowners. As Black Knight Data & Analytics Executive Vice President Ben Graboske explained, continued growth in the equity landscape has also improved the net worth of many – but not all – homeowners with mortgages.

"The steady upward trajectory of home prices continues to improve the equity positions of many homeowners," said Graboske. "This is plainly visible in the number of borrowers who are underwater on their mortgages, owing more than their homes are worth. Over the past year, we've seen a 35 percent decline in the total underwater population, with a 16 percent decline in that population over the first three months of 2017 alone. Home prices rose 2.3 percent in the first quarter, as compared to 1.8 percent over the same period last year, helping an additional 350,000 borrowers regain equity in their homes. As of today, there are 1.8 million underwater borrowers remaining, the first time this population has fallen below two million since 2006.

"What stands out is the disparity we see in this improvement. As has been the case for some time now, negative equity has become more and more a localized phenomenon. But it's also becoming concentrated among a particular class of homeowner. Nearly half of all borrowers who remain underwater own homes in the lowest 20 percent of prices in their respective markets. While the nation as a whole now has a negative equity rate of just 3.6 percent, among owners in that lowest price tier, it's over eight percent. In fact, these lowest-price-tier properties are more than twice as likely to be underwater as those in the next price tier up, and 6.5 times more likely to be underwater than those living in the top 20 percent of the market. This is the highest differential we've seen between high and low price tiers since we began keeping track in 2005. In some areas, the disparity between the lowest price tier and the highest is staggering. In Detroit, for example, borrowers whose homes are in the lowest 20 percent of prices are 50 times more likely to be underwater than those in the top 20 percent."

Rising home prices are also increasing the amount of equity available for homeowners to borrow against. Looking solely at borrowers with at least 20 percent equity in their homes, Black Knight found that total tappable (or lendable) equity increased by $695 billion dollars over the last year.

"Over 40 million Americans with a mortgage now have tappable equity available in their homes," Graboske continued. "This is the largest this population has ever been. Growth over the last year brought the total lendable equity market to just under $5 trillion as of the end of Q1 2017. If home prices continue to rise at or near their current rate of appreciation, tappable equity will likely hit record highs by this summer. Though nearly half of the country's 100 largest metropolitan areas have already reached record levels of tappable equity, as a whole these areas remain geographically concentrated. The majority are found in more coastal areas, specifically in large city centers. In fact, more than half of the nation's tappable equity lies in the 10 largest metro areas. California alone contains nearly 40 percent of available equity. While the growth in tappable equity is obviously good news for both homeowners and lenders alike, it does represent some risk as well. Investors in mortgages and mortgage servicing rights – as well as others with a stake in the broader mortgage market – need to be prepared to account for a higher share of equity-driven prepayment risk, as well as an increased chance of borrowers adding on second liens that primary loan servicers and investors may not be aware of."

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

Total U.S. loan delinquency rate:	3.79%
Month-over-month change in delinquency rate:	-7.13%
Total U.S. foreclosure pre-sale inventory rate:	0.83%
Month-over-month change in foreclosure pre-sale inventory rate:	-2.97%
States with highest percentage of non-current* loans:	MS, LA, AL, WV, ME
States with lowest percentage of non-current* loans:	OR, ID, 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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