BLACK KNIGHT FINANCIAL SERVICES

Press Release

For more information:

Michelle Kersch
904.854.5043
michelle.kersch@bkfs.com

Mitch Cohen
646.546.5103
mitch@mprg.com

Black Knight's Mortgage Monitor: Post-Election Rate Jumps Eliminate 4.3 Million from Refinanceable Population, Push Home Affordability to Post-Recession Low

- The number of potential refinance candidates dropped by over 50 percent within three weeks of the U.S. presidential election as 30-year mortgage rates jumped 49 BPS
- Approximately $1 billion/month aggregate in potential savings remains available; down from $2.1 billion/month immediately prior to the election
- It now takes 21.6 percent of the median monthly income to purchase the median-priced home, the highest share needed since June 2010, when rates were 4.75 percent but average home values were 20 percent less than today
- In 2013, when the affordability ratio hit a similar level (21.4 percent), annual home price appreciation decelerated rapidly, from nine percent to below five percent
- Even with recent rate jumps, the national payment-to-income ratio is 10 percent lower than during the benchmark period of 1995-1999

JACKSONVILLE, Fla. -- Dec. 5, 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 October 2016. In the immediate aftermath of the U.S. presidential election, 30-year mortgage rates have spiked by 49 basis points (BPS) in just a few short weeks. This month, Black Knight examines the impact of these jumps on the population of borrowers who could both likely qualify for and have incentive to refinance as well as the wider matter of home affordability. As Black Knight Data & Analytics Executive Vice President Ben Graboske explained, the effects have been dramatic, but must still be seen in the proper historical context.

"The results of the U.S. presidential election triggered a treasury bond selloff, resulting in a corresponding rise in both 10-year Treasury and 30-year mortgage interest rates," said Graboske. "As mortgage rates jumped 49 BPS in the weeks following the election, we saw the population of refinanceable borrowers cut by more than half. From the 8.3 million borrowers who could both likely qualify for and had interest rate incentive to refinance immediately prior to the election, we're now looking at a population of just 4 million total, matching a 24-month low set back in July 2015. While there are still two million borrowers who could save $200 or more per month by refinancing and a cumulative $1 billion per month in potential savings, this is less than half of the $2.1 billion per month that was available just four short weeks ago. These changes will likely have an impact on refinance origination volumes moving forward. And, since higher interest rates tend to reduce the refinance share of the market – specifically in higher credit segments – which typically outperform their purchase mortgage counterparts, they may potentially impact overall mortgage performance as well.

"In addition, from an affordability perspective, that 49 BPS rise in interest rates was the equivalent of the average home price jumping by over $16,400 basically overnight. It now takes 21.6 percent of the median income to purchase the median home nationally. That's the highest share of median income needed to buy the median home since June 2010, when rates were at 4.75 percent, but the average home was worth nearly 20 percent less than it is today. Even though we're still 10 percent below long-term historic norms for affordability, the last time we saw affordability near this level – in late 2013 at 21.4 percent – home price appreciation experienced an immediate pullback, decelerating from nine percent to below five percent nationally. With that recent historical precedent, it's worth watching to see how home prices react to such an abrupt rise in rates over the coming months, particularly as we await the Federal Reserve's next moves on the benchmark federal funds rate."

Black Knight also looked at Q3 originations, finding that despite a slight quarterly decline in purchase lending, overall originations were up six percent from Q2 due to a 17 percent quarterly rise in refinance lending. The $579 billion in loans originated in Q3 2016 marked the highest total origination volume since Q2 2009. Purchase volumes continue to rise; they are up 7 percent from last year, and at $818 billion, year-to-date volume is the highest for the first three quarters of any year since 2007. Overall purchase origination growth is slowing, however, and most markedly among higher credit borrowers (740+ credit scores). As this segment has been mainly responsible for the overall recovery in purchase volumes since the recession and currently accounts for two-thirds of all purchase lending, such signs of possible market saturation bear close watching. Q3's $270B in refinance originations was the largest quarterly volume since Q2 2013. However, recent spikes in mortgage interest rates suggest this balloon in refinance lending is likely to be short-lived.

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

Total U.S. loan delinquency rate:	4.35%
Month-over-month change in delinquency rate:	1.84%
Total U.S. foreclosure pre-sale inventory rate:	0.99%
Month-over-month change in foreclosure pre-sale inventory rate:	-0.95%
States with highest percentage of non-current* loans:	MS, LA, NJ, AL, NY
States with lowest percentage of non-current* loans:	SD, MT, 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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