BLACK KNIGHT FINANCIAL SERVICES

Press Release

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Black Knight's Mortgage Monitor: 'Balancing Act' of Low Rates, Rising Home Prices is Keeping Affordability Stable for Now; Raising Conforming Loan Limits Could Increase Origination Volumes

- The average U.S. home value increased by $13,500 from last year, but low interest rates have kept the monthly P&I payment needed to purchase a median-priced home almost equal to one year ago
- Home affordability still remains favorable compared to long-term historic norms, but rising interest rates could put pressure on home affordability
- Seventeen times more originations occur right at conforming loan limits than in preceding dollar value "buckets;" origination volume drops off by 70 percent just above the limit
- GSE loans originated at conforming limits are nine times more likely to have a "piggyback" second lien
- In an example scenario, raising the conforming loan limit by $10,000 could produce approximately 40,000 new originations with aggregate balances of $20 billion

JACKSONVILLE, Fla. – Nov. 7, 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 September 2016. This month, in light of 52 consecutive months of annual home price appreciation (HPA) and discussion in many quarters around the possibility of raising conforming loan limits, Black Knight took a closer look at HPA trends, home affordability and the impact that raising those limits might have on mortgage originations. As Black Knight Data & Analytics Executive Vice President Ben Graboske explained, the three topics are closely intertwined.

"The latest Black Knight Home Price Index (HPI) report showed that, as of the end of August, U.S. home prices were within just 0.7 percent of hitting a new peak," said Graboske. "This is important for a number of reasons, not least of which is the impact it could have on home affordability. Right now, however, affordability remains steady as low interest rates continue to offset rising home prices. In fact, even though the value of the average home in the U.S. increased by about $13,500 over the last year, thanks to declining interest rates it actually costs almost exactly the same in principal and interest each month to purchase as it did this time last year. Even taking into account the fact that affordability can vary – sometimes significantly – across the country based upon the different rates of HPA we're seeing, that's a pretty incredible balancing act between interest rates and home prices at the national level. Of course, if and when rates rise, that will change. Right now, it takes 20 percent of the median monthly income to cover monthly payments on the median-priced home, which is well below historical norms. A 50 BPS increase in interest rates would be equivalent to a $17,000 jump in the average home price, and bring that ratio to 21.5 percent. This increase is still below historical norms, but puts more pressure on homebuyers.

"The most recent HPI data is also important when it comes to the growing discussion surrounding conforming loan limits. The Housing and Economic Recovery Act (HERA) of 2008 restricted any additional increases in the conforming loan limit until national home values returned to pre-crisis levels. Now that we've reached that point by multiple measures, the GSEs can consider raising the national conforming limit above the static $417,000 where it has stayed for the last 10 years – aside from the 234 designated 'high-cost' counties, of course. Our analysis shows that there are approximately 17 times as many originations – roughly 100,000 in total over the past 12 months – right at the conforming limit compared to preceding dollar amount buckets, and that originations drop off by about 70 percent immediately above the limit. In addition, the data shows that a GSE loan originated right at the conforming limit is nine times more likely to carry a second lien than one that is not. One example scenario shows that, with all else being equal, raising the conforming loan limit by $10,000 could result in a one percent increase in originations – approximately 40,000 new loans and $20 billion in new loan balances."

Black Knight also found that while Oregon, Washington and Colorado continue to see the highest levels of HPA, of the three, Colorado's rate of appreciation is down one percent from last year. Both Washington and Oregon continue to accelerate, with annual rates of HPA over 1.5 percent higher than one year ago. Six of the top 10 states by annual HPA are continuing to accelerate, while the remaining four are seeing some level of deceleration from last year's rate. In addition, Black Knight found that overall condominium price growth is decelerating across the U.S.; in fact, condo values are now appreciating at a slower rate than single-family residences (SFRs) for the first time since the housing recovery began. Condo HPA still outpaces that of SFRs in the country's three fastest appreciating states (Oregon, Washington and Colorado), where condominium prices are rising roughly 30 percent faster than those of SFRs. But, with the exception of Utah, the same cannot be said for the remainder of the top 10 states by HPA. In fact, Florida condominium HPA rates are roughly half that of SFRs, and in Nevada and Michigan they're roughly 40 percent below that of SFRs.

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

Total U.S. loan delinquency rate:	4.27%
Month-over-month change in delinquency rate:	0.74%
Total U.S. foreclosure pre-sale inventory rate:	1.00%
Month-over-month change in foreclosure pre-sale inventory rate:	-3.38%
States with highest percentage of non-current* loans:	MS, LA, NJ, AL, WV
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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