Nearly 18 million top candidates for refi, report finds

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As mortgage rates broke through 3 percent in July for the first time in history, Black Knight increased its forecast of the amount of homeowners who could benefit from a refinance.

In addition, Black Knight found that more than half of all homeowners could lower their mortgage rates through a refinance today.

Freddie Mac reported twice in the past three weeks that mortgage rates on its 30-year survey were below 3 percent, for the first time in its 49-year history of tracking rates. Its latest report Aug. 6 found that rates fell to 2.88 percent.

Mortgage News Daily reported daily 30-year rates below 3 percent every business day in July, reached a new low of 2.86 percent on Aug. 3.

For rates between 2.88 percent and 3 percent, Black Knight found that its prime refi candidate pool totaled 17.8 million homeowners. That prime pool includes borrowers who are current on their mortgage, have a credit score of at least 720, have at least 20 percent equity in their homes and could lower their rate by at least 0.75 percent.

Black Knight found that the pool could save an average of $287 per month per borrower, an aggregate of $5.1 billion in potential savings.

The next level down – if rates fell just .005 to between 2.875 percent and 2.76 percent – would increase the number of prime pool borrowers to 19.5 million. At 2.75 percent, that total would increase to 20.9 million. In all, 52 percent of all homeowners could lower their mortgage rate by refinancing at current levels, Black Knight reported.

The drops in rates also have affected affordability, with Black Knight reporting that affordability is at its best level in four years.

“Falling rates and improved affordability have helped to spur home-buying demand, and therefore purchase origination volume, which has provided a much-needed backstop for home prices in the wake of the COVID-19 pandemic,” Black Knight Data and Analytics President Ben Graboske said in a release. “As of mid-July, it required 19.8 percent of the median monthly income to make the mortgage payment on the average-priced home purchase, assuming a 20 percent downpayment and a 30-year mortgage. That was more than 5 percent below the average of 25 percent from 1995-2003.”

Graboske said that means the average-priced home would require a $1,071 monthly payment, which is down 6 percent from a year ago.

“In fact, buying power is now up 10 percent year-over-year, meaning the average homebuyer can afford nearly $32,000 more home than they could at the same time last year, while keeping their monthly payment the same,” he said. “A main takeaway from this month’s report is that while record levels of job losses are certainly still weighing on the housing market and broader economy, for those shopping for a home now, buying power has clearly trended up.”

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