RATE INCREASES AFFECT REFIS BUT MARKET STILL HISTORICALLY STRONG

Refinances during the COVID-19 pandemic was a significant economic stimulus, providing a savings aggregate of $1.3 billion per month, according to Black Knight, Inc.'s most recent Mortgage Monitor report.

The report showed about 14.3 million homeowners refinanced during the pandemic, with over 600,000 refis closing per month for the last four months. This puts the market on track for completing 8.9 million refinances in 2021, just under the record set in 2020 at 9 million.

For the homebuyers who refinanced in the first 18 months of the pandemic, aggregate savings per month have been high. Ben Graboske, Black Knight data and analytics division president, said the savings could be even higher as time goes on.

"Together, these borrowers reduced their aggregate mortgage payments by more than $1.3 billion per month, for some $14 billion in realized monthly savings to date," said in a release. "In fact – assuming they all stay in their homes for the duration of 2022 – this group is on track to save nearly $35 billion in total by the end of next year. **By nearly any measure, that is an extraordinary level of potential stimulus to the economy as a direct result of refinance lending."**

Raising interest rates may have put a damper on rate/ term refis but has not completely taken out the market. According to Black Knight, even with Freddie Mac reporting an average 30-year rate at 3.14 percent, there are still almost 10 million high-quality candidates who could cut their interest rates by at least 0.75 percent by refinancing.

Moreover, tappable equity is at an all-time high of $9.1 trillion. Even with 25 percent held by borrowers with sub-3 percent interest rates, more than half of that total is held by homeowners with first lien rates of 3.5 percent or higher, providing opportunities for homeowners to take a cash-out refi.

Black Knight research showed when 30-year rates were almost 5 percent in 2018, more than 70 percent of cash-out borrowers accepted a rate increase to access their equity. This trend may have an impact in coming months as more than 11 million tappable equity holders have locked in sub-3 percent interest rates. Additionally, more than 70 percent of the available equity is held by homeowners with credit scores 760 or higher, creating opportunity for lower-risk cash-out lending.

SOURCE: Dodd Frank Update https://bit.ly/30hmHcj