

Recent Rate Cuts Bolster Refinance Pool

By: Jann Swanson | Fri, Aug 9 2019, 10:16 AM

Ever since mortgage rates began to move lower, Black Knight has devoted a big portion of its *Mortgage Monitor*, a monthly report on loan performance and other mortgage issues, to tracking the ebb and flow of the refinanceable loan population. The company defines refinanceable as a loan where the borrower can qualify for a new loan with a **credit score of 720 or higher** and a maximum of an 80 percent loan to value (LTV) ratio AND could **save at least 75 basis points** off of their current loan through refinancing.

The company put the refinanceable population at 8.2 million in June. At the end of that month rates stabilized at around 3.75 percent and the most recent *Monitor*, published this past Monday only mentioned the refinanceable population in passing. But Thursday Freddie Mac's weekly published report on interest rates noted a 15-basis point decline in the 30-year rate and Black Knight's analysts got out their calculators to provide a quick update.

The company says the latest rate dip added another 1.5 million borrowers to the pool, bringing it to 9.7 million who could benefit from refinancing. **Those homeowners would save an average of \$267 per month** on their mortgage payment and, if all of them did refinance, it would put \$2.6 billion of discretionary income back into the economy every month. This, they say, "is the most refi candidates we've seen based on our broad-based, albeit conservative, eligibility criteria."

The credit score and LTV assumptions upon which Black Knight anchors its estimates are, they say, conservative by design. Widen them out and the number increases dramatically. Keep in mind, they say, that there are non-cash-out refinancing products for borrowers with LTVs as high as 95 percent and there are also loans available for borrowers with credit scores as low as 680, even lower with reserve requirements. With those broader criteria, the refinancing pool could be as large as 20 million loans.

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