



NEWS RELEASE

# ICE Mortgage Monitor: Equity Withdrawals Rose Slightly in Q3 2023, but High Interest Rates Are Compressing Usage by 55%

12/4/2023

- Despite clear signs of slowing, home prices hit yet another seasonally adjusted high in October, with unadjusted annual growth rising to +4.6%, up from +4.2% in September
- Recent home price gains have returned tappable equity to within 3% its 2022 peak, contributing to a modest increase in equity withdrawals in Q3
- Just 0.41% of tappable equity available at the beginning of the quarter was withdrawn in Q3, some 55% below the average withdrawal rate seen from 2010-2021
- An estimated \$54B in equity withdrawals were forgone in Q3 as rising interest rates increased the cost of equity utilization, with an aggregate \$250B missing over the last 18 months
- Despite compressed volumes, cash-outs continue to fuel what is left of the refinance market accounting for 92% of Q3 activity, with borrowers withdrawing a record \$104K on average
- Purchase lending continues to dominate the market overall, driving 86% of all first lien lending in Q3, with roughly 75% of 2024 originations expected to come from purchase loans
- Rising rates continue to put pressure on homebuyers, with debt-to-income (DTI) ratios on purchase loans hitting multiyear highs in October, according to ICE Market Trends data



- Data also suggests tightening lending criteria, as credit scores for conventional, FHA and VA purchase loans all hit series highs, with FHA credit scores up 14 points year over year
- While foreclosure starts rose in October, near-term risks remain muted due to a combination of historically low serious delinquency rates and strong equity positions among such loans

ATLANTA & NEW YORK--(BUSINESS WIRE)-- Intercontinental Exchange, Inc. (NYSE:ICE), a leading global provider of data, technology, and market infrastructure, released its December 2023 ICE Mortgage Monitor Report, based on the company's industry-leading mortgage, real estate and public records data sets. Rising home prices, though cooling in recent months, have returned total tappable equity to near its 2022 peak. This has implications for both equity lending as well as performance-related risk among active mortgages, as ICE Vice President of Enterprise Research Andy Walden explains.

"Despite the resurgence in tappable equity among U.S. mortgage holders, elevated interest rates are making homeowners reluctant to extract that wealth," Walden said. "Indeed, in recent quarters, equity withdrawal rates have been running at less than half their long-run averages. Mortgage holders extracted a mere 0.41% of tappable equity available at the beginning of Q3. That's some 55% below the average withdrawal rate seen in the 12 years leading up to the Fed's most recent tightening cycle. That's equivalent to \$54 billion – \$250B over the last 18 months – in 'missing' withdrawals that might have otherwise stimulated the broader economy."

Along with other factors, rising equity levels are contributing to low default and foreclosure activity in today's market. As Walden notes, any specter of a potential wave of foreclosures must be tempered by a recognition of borrowers' generally strong equity positions – including the most seriously delinquent among them.

"Though they hit an 18-month high in October, foreclosure starts remain 35% below prepandemic norms. Lenders and servicers have many more options for working with borrowers to avoid foreclosure today than at almost any point in the past. Just to illustrate the scope: 70% of loans currently three or more payments past due are protected from foreclosure by ongoing loss mitigation efforts. Further, 58% of these seriously delinquent mortgage holders hold more than 20% equity stakes in their homes.

"Strong equity cushions not only provide borrowers incentive to work with their servicers to return to making mortgage payments, they also open up other options, such as salvaging earned equity with a traditional home sale rather than going through foreclosure. The more the industry can do to educate, and update, borrowers as to their equity positions, the better. Loss mitigation can be much more successful when a borrower can make educated and informed decisions, fully aware of the options available to them."

The month's data also showed that while overall refinance activity remains a shadow of what it was just a couple of

years ago, what's left is almost entirely equity centric. Cash-outs accounted for 92% of all refis in Q3, with borrowers withdrawing a record \$104K on average, up from just \$65K two years ago. Purchase loans continue to dominate, driving 86% of Q3 activity, and are expected to account for roughly 75% of all mortgage lending in 2024. Interest rate pressures continued to mount, however, with purchase loan debt-to-income ratios hitting multiyear highs in October. ICE Market Trends data, which tracks originations across the ICE Mortgage Technology platform, shows an overall tightening of lending criteria, with credit scores among conventional, FHA and VA purchase loans all hitting series highs in October. The average FHA score has risen 14 points over the past 12 months, with VA scores up 13 points during that same period.

Much more information on these and other topics can be found in this month's Mortgage Monitor.

Planning is now nearly complete for ICE Experience 24, the premiere gathering of the mortgage technology industry, scheduled for March 18-20 at the Wynn Las Vegas. For more information, **please visit the Experience 24 website.**

## About Mortgage Monitor

The Data & Analytics division of Black Knight manages the nation's leading repository of loan-level residential mortgage data and performance information covering 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 combined insight of the Black Knight HPI and Collateral Analytics' home price and real estate data provides one of the most complete, accurate and timely measures of home prices available, covering 95% of U.S. residential properties down to the ZIP-code level. In addition, the company maintains one of the most robust public property records databases available, covering 99.9% of the U.S. population and households from more than 3,100 counties.

Black Knight'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: **<https://www.blackknightinc.com/data-reports/>**

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## About Intercontinental Exchange

**Intercontinental Exchange, Inc.** (NYSE: ICE) is a Fortune 500 company that designs, builds, and operates digital networks that connect people to opportunity. We provide financial technology and data services across major asset

classes helping our customers access mission-critical workflow tools that increase transparency and efficiency. ICE's futures, equity, and options **exchanges** -- including the **New York Stock Exchange**-- and **clearing houses** help people invest, raise capital and manage risk. We offer some of the world's largest markets to trade and clear energy and environmental products. Our fixed income, **data services** and execution capabilities provide information, analytics and platforms that help our customers streamline processes and capitalize on opportunities. At **ICE Mortgage Technology**, we are transforming U.S. housing finance, from initial consumer engagement through loan production, closing, registration and the long-term servicing relationship. Together, ICE transforms, streamlines, and automates industries to connect our customers to opportunity.

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