

INDUSTRY INSIGHTS

Should brokers fear or embrace new technology?

Does a day go by without a headline appearing about the transformative effect of 'fintech' or new technology? Some of my colleagues were at the Mortgage Business Expo conference in London recently and technology was a popular topic of conversation. Indeed, one of the conference seminars, 'How fintech can help brokers' was specifically about technology. It inspired me to jot down my thoughts.

FINTECH

In August, the technology website Finextra1 reported that global investment in fintech organisations declined substantially in the first half of the year. The total global value of fintech deals in the six months ending June 30 was \$22 billion, compared with \$31.2 billion in the same period of 2018, a decline of 29%.

Finextra concluded that the fall was due mostly to the lack of a single large deal like the one which had boosted the figures in May 2018.

The bulk of global fintech fundraising was invested in new payments ventures and lending, accounting respectively for 28% and 25% of the total. Nothing else receives as much investment in the race to innovate, and this is, of course, driving change in the industry.



THE CHANGES IN THE MORTGAGE MARKET

When you've spent your whole career in financial services, and lived through the internet revolution, much of the commentary we see at present is reminiscent of the early 2000s. I think though that the changes in the mortgage industry will be slower than people are predicting and will develop along established trends.

The larger traditional lenders, who are mass volume, will focus on fixed rate lending and continue to turn over a high volume of business. These organisations are using technology to drive efficiency in an effort to reduce costs and force mortgages through their systems at a faster pace than ever before.

New entrants to the market do not have to contend with legacy systems and can become fully automated a lot more easily. This enables them to process and approve an application through a new customer journey built around the preferences of the modern-day consumer.

New entrants however will face problems in gaining acceptance for their brands. Like many of the new dotcom businesses of the late 1990s, the marketing spend required to gain awareness and consideration could be greater than the amount of available revenue. Commercially, that's a very tough place to be in.

There will always be a segment of customers which values a personalised service. This is the space which has traditionally been occupied by the building societies and advisers. There will always be some people who want a conversation as part of the process of buying a home. I do think there will be pressure on building societies to differentiate themselves. For example, at Harpenden we focus very specifically on the mass affluent and high net-worth segment and have built a reputation for managing highly complex mortgage applications. I suspect there will be a threat to those building societies unable to carve out a clear niche for themselves.

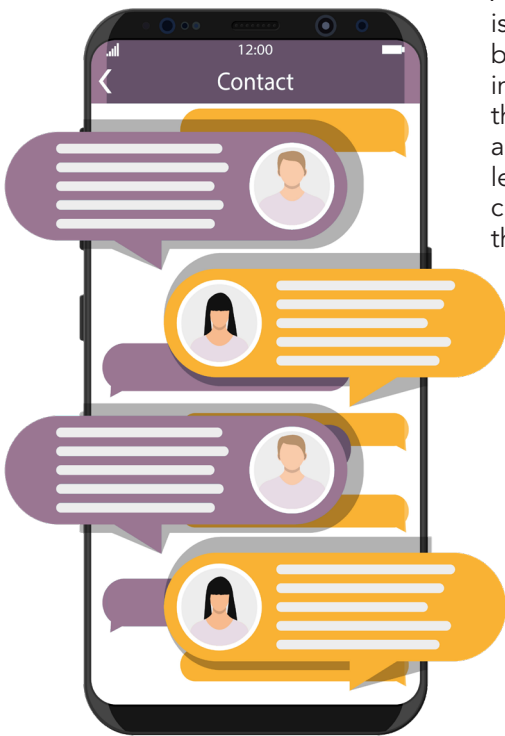


THE ROLE OF TECHNOLOGY

There is a risk that many commentators are overstating the role that technology will play in the mortgage industry or at least inaccurately identifying where the change will occur. At the Mortgage Business Expo conference, one of the panellists in the fintech seminar had this to say:

"We want to help brokers, not put them out of business."

Advanced technology will certainly simplify the process of applying for and issuing mortgages, and this will help brokers. We believe the role of the broker will shift towards providing specialist support in increasingly complex individual circumstances caused by changing employment patterns and the polarisation of income. The makeup of the population is no longer as homogenous and stable as it once was, and there will be increasing levels of uncertainty in the future. When confronted with a complex set of circumstances such as these, people will always have a strong desire to talk through the options. Brokers can be confident about the future and embrace technology so that they have more time for doing the things they are good at. This will enable them to support customers and help them to navigate their way through an increasingly daunting financial future.



Roy

by Roy Badcock, Senior Manager,
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¹Global fintech investment falls sharply, August, Finextra



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We offer a manual underwriting process, no credit score involved.



A flexible view on merits of all cases - we're very accommodating.



We provide clear, fair and transparent charges for all cases.



Many types of income are considered when assessing affordability.