

# Blockchain for mortgages

The number of households with a **mortgage is predicted to fall to 7.2 million** by 2025, creating pressures on costs and growth.

Alongside this, there is completion from FinTechs and P2P lenders who are able to work in an **agile, faster and cheaper** way, with a focus on **customer experience**.

Meanwhile, **complex processes** with **multiple intermediaries**, and **duplication of data entry** keep banks costs high and impact client service



*Blockchain technology may radically alter the process through which consumers buy a home, as well as the way financial institutions handle mortgages. It could also dramatically change the way mortgages are serviced and sold on the secondary market, by...*

*1. Removing costs and friction from processes*

*2. Creating a tamper proof transaction history*

*Reducing delays in exchange and finalisation*

*But you don't have to take our word for it...*

- “A group of banks in Hong Kong (including HSBC) are reportedly developing a system that uses blockchain tech to share information about **mortgage valuations**.<sup>1</sup>
- **Over \$1 billion invested** in blockchain companies since the technology's creation in 2009, with a **59% increase** in the last year.<sup>2</sup>



- The UK Government Chief Scientific Adviser has highlighted the potential; for blockchain to “help governments to collect taxes, deliver benefits, issue passports, **record land registries**...and generally **ensure the integrity of...records and services**.”<sup>3</sup>

1. Coindesk October 2016  
2. CNN Money, KPMG and CB Insights  
3. Government Office for Science, *Distributed Ledger Technology: beyond blockchain*

## Blockchain may help many of the current pain points in the mortgage process

### Friction and delays

Multiple parties interact with manual updates throughout the transaction lifecycle, creating hand-offs and in-built delays. E.g.:

- *Exchange of contracts*, with both parties' solicitors working on achieving an *identical contract* by phone, mail or other means
- *Release of funds*, may involve multiple transfers between both parties' banks, which may take several days or be subject to failure where buyer's lender fails to release funds in time.

### Fraud

Recordkeeping challenges contribute to fraud, a persistent challenge for the industry. When bad actors falsify documents or pretend to own assets that aren't theirs, everyone suffers.

By making it harder to tamper with ownership records, blockchain could reduce the odds of mortgage fraud.

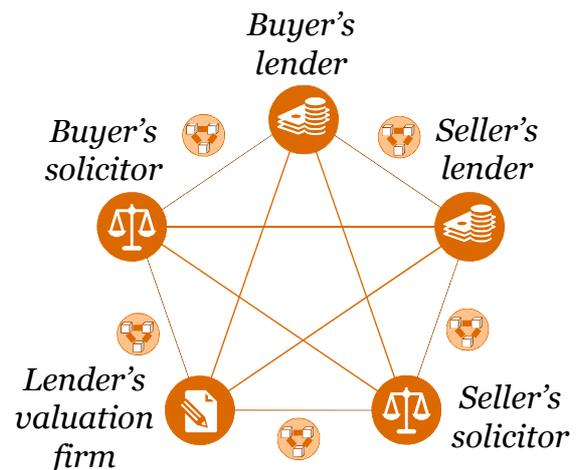
### Servicing

Ease of transferring mortgage servicing rights can be hindered by inaccuracy or dispersion of the underlying data. Complexity increases with multiple intermediaries added when securitising loans in the secondary market.

Blockchain could increase data accuracy and availability, streamlining this.

## Benefits of blockchain for mortgages

- Ability to create **shared copies of legal agreements** and full **electronic audit trail** of changes
- Ability to confirm agreement to contracts based on **digital identity** and **defined permissions**
- **Reduce the complexity and cost** (e.g. Legal fees)
- Opportunity to speed up release of funds and **reduce the time from contract exchange to completion**
- **Data is trusted, accurate and secure** – no data duplication or reconciliation errors
- Process steps can be **automated into smart contracts** (e.g. scheduled completion)



As businesses mature, the **benefits of blockchain** can be increased by adding more actors in the future, e.g. utility providers, insurance companies and tax authorities.

## Can Blockchain transform the Mortgage Market ?

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