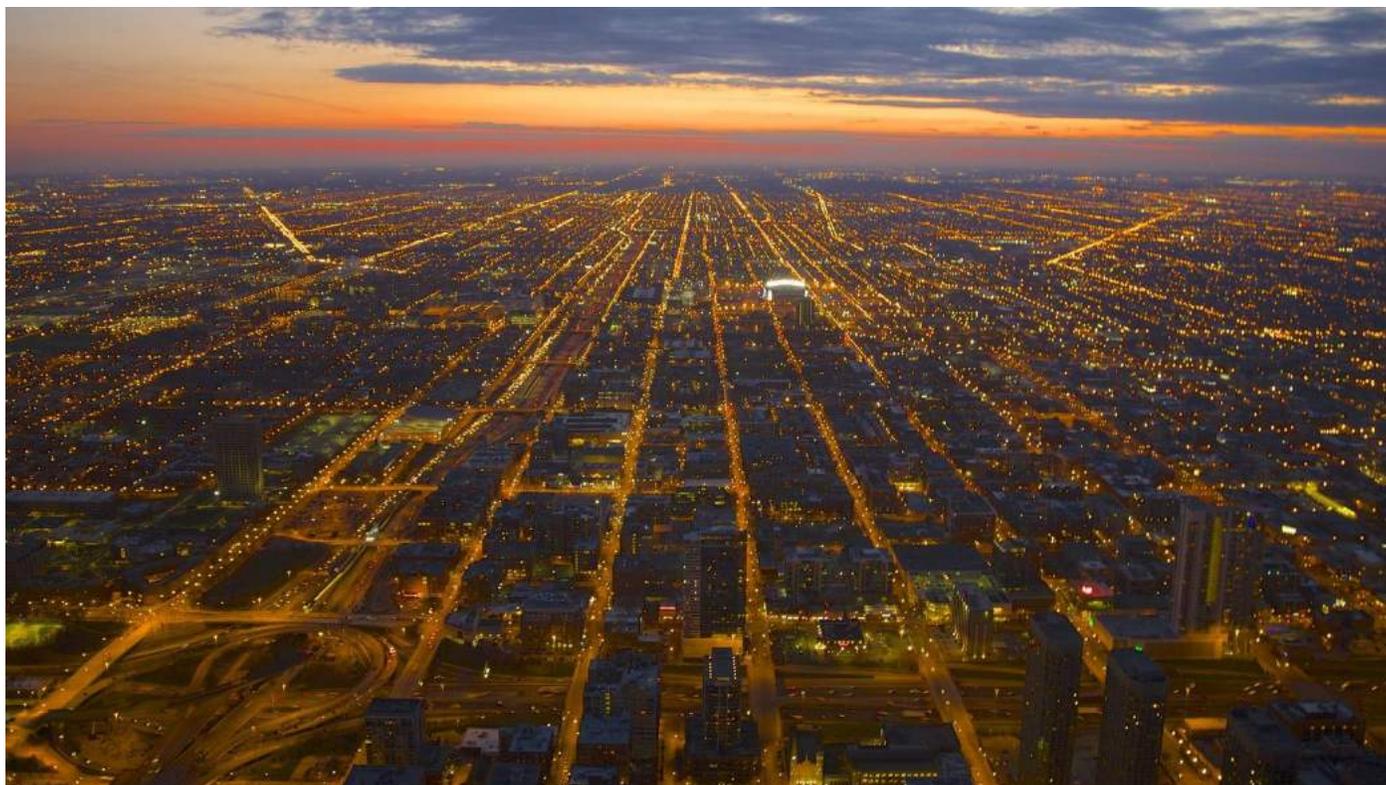


Could blockchain technology transform homebuying in Cook County — and beyond?



The current property transaction process is a series of information handoffs from one party to another — credit report to lender, title verification to buyer, appraisal to everyone, and so on. Blockchain technology could create a single place where all parties record their data. (Barry Winiker / Getty Images)

By **Joanne Cleaver**

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From the opening bid to the close of the sale, the process of buying a house is likely the most convoluted, complex and redundant that most consumers face. Blockchain technology could change that — eventually.

In Illinois, officials at the Cook County recorder's office want to clear the way. Meanwhile, technology firms are attacking all parts of the property transaction process with hooks and grapples to the blockchain.

In the past 10 years, [blockchain technology](#) has leapt from experimentation to early adoption, especially by financial companies that use it to verify aspects of transactions through “smart contracts.” Now, the gospel of blockchain is spreading to many industries, which see in it the potential for faster, more

accurate verification of data.

A blockchain is a decentralized database that maintains a “single source of truth” of transactions or data — for example, an individual’s credit history, explains Alex Bennett, head of mortgages for the New York technology company Symbiont.

The current property transaction process is a series of handoffs of information from one party to another — the credit report to the lender, the title verification to the buyer, the appraisal to everyone, and so on. Blockchain could create a single set of connected files where all parties record their data.

Here’s how it would work: Property data are recorded in structures known as blocks, which are linked. Every participant in the homebuying network consents to the posts to the blockchain. The blockchain creates a single place for several parties to share private data about a single item, such as a transaction, thus establishing an agreement about the validity of the data. The blockchain process is grounded in mathematical algorithms that ensure the correct parties have access to the block and can see who made changes to the block.

Blockchain is attracting money and attention because it offers a much-streamlined process for accessing data and for ensuring that the data are accurate. Because much of the property transaction process involves verifying data, blockchain could redesign the process, say experts.

Last year, the office of the Cook County recorder of deeds participated in a pilot project that explored the barriers to adopting blockchain and the potential gains from overcoming those barriers.

“Our main takeaway is that it could reform the entire way that government develops and procures technology,” says John Mirkovic, deputy recorder for information technology and communications. “For real estate, it has the opportunity to remove people from the transaction who don’t add value outside the system. They provide value within a broken system. If you fix the system, they become unnecessary.”

Title insurance is a prime example. Loopholes in Illinois law allow property owners to not report valid claims against a property. That means a potential buyer would not know a lien or other claim against the property was pending.

Title insurance exists to protect mortgage lenders and property owners from precisely such omissions.

But why, asks Mirkovic, are the omissions allowed?

“It’s one of the few transactions that requires you to buy private insurance to cover you against the public record,” he says. “It makes sense to fix the system.”

Illinois House Bill 5594, now in committee, would require all claims against real estate to be recorded.

Mirkovic said that the prerequisite to adopting blockchain at his office is to iron out the flaws in the state's current laws that allow data to remain unrecorded at the time of transactions, which would undermine the point of blockchain: to contain all available data about the transaction in one place.

The main thing that the industry learned about the pilot with the recorder's office is that the entire property transaction process pivots on the demands of the buyer and seller, says Ragnar Lifthrasir, founder and chief executive officer of [Velox.RE](#), a blockchain-based real estate platform based in California. (Velox designed the pilot.) If the buyer and seller agree to use a blockchain platform for their transaction, he predicts, the other participants in the transaction will have to fall in line.

Overall, say experts, the adoption of blockchain will likely follow patterns of other technologies that are reshaping how houses are bought and sold.

A decade ago, homebuyers learned how to apply for a mortgage online, points out Debbie Hoffman, chief executive officer of Symmetry Blockchain Advisors, an Orlando, Fla., consulting firm that specializes in blockchain for the mortgage industry. Five years ago, homebuyers were introduced to digital document signing and now, she says, the homebuying industry is "figuring out blockchain."

The direct effect for consumers is still a few years away, and depends as well on industry turf wars, but the end result that many envision is that all information about a house resides within a data block about that house, she says.

Eventually, that could mean that title searches are done in minutes, not days. Also: All home improvements, permits, related loans and even the construction companies that did the work might be embedded in the data block for that property.

"Borrowers will have valid information for future purchases," says Hoffman. "And the same for individual owners. You won't need to give the lender your W-2 forms from prior years because it's in the chain. It will make information storage and access so much easier."

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