

Home, Sweet Blockchain

*Can blockchain make the process of getting a home mortgage easier and n
There are many working to make it happen.*

By **Joanne Cleaver** - July 6, 2018

Blockchain might untangle the notoriously convoluted homebuying and lending process assortment of organizations ranging from mortgage technology consultants concentratir applications to officials at the Cook County, Ill., Recorder of Deeds.

“For mortgages, there are a lot of parties involved in a pretty simple thing, buying a prop Bennett, head of mortgages for New York-based [Symbiont](#), tells *ThirtyK*. Symbiont develo smart contracts for institutions. Smart contracts rely on blockchain for embedded verific payments, and home lending infrastructure is one of Symbiont’s main lines of business. ‘ are a lot of solutions trying to connect the different services,” including blockchain, he sa

Home buying and selling is an enormous opportunity for blockchain, and a rich proving g integrating blockchain with legacy systems.

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BLOCKCHAIN-BASED ESCROW, THEN YOU’RE GREAT
REDUCING THE NEED FOR THE THIRD PARTIES,” EXP
LIFTHRASIR.***

The process of buying and selling houses is grounded in centuries of tradition regarding ownership is defined and how property sales are transacted. It involves multiple layers o parties, multiple layers of verifications and multiple layers of reporting to governmental e entities. Every layer requires independent verification. Using blockchain to simplify even process would be a boon, which is why there are many who want to use blockchain to co renovate the process.

Last year, according to the [National Association of Realtors](#), 5.51 million existing houses v Over **71 percent of home purchases were financed**, according to Attom Data, an Irvine, C estate data and analytics firm.

Government and quasi-governmental agencies play a huge role in setting standards and [About 11.9 percent of sales](#) in the first quarter of this year involved loans backed by the F Administration, which requires its own separate process of verifying data and compliance from consumer view, the secondary mortgage business buys and sells mortgages, and is [grow at about 1.9 percent](#) this year, according to Fannie Mae, a government-sponsored \$6 billion mortgage portfolio.

Government agencies are not the usual sources for blockchain innovation, which is why a pilot by one Illinois county agency is an eye-opener.

Deeds, Indeed

John Mirkovic, the deputy recorder for communications and information technology at the [Recorder of Deeds](#), tells *ThirtyK* his office is the first in the country to explore the efficiencies blockchain could introduce to property records.

The linked system of property titles represents a precursor to blockchain, Mirkovic says. A takeaway from a 2016-2017 pilot that involved the Cook County office, lawyers and tech consultants was that “we believe blockchain is good and we want to participate in it” and offers “the ability to remove people from the transaction who don’t add value outside the

These people “provide value within a broken system. If you fix the system, they become useless,” says Mirkovic.

Here’s one part of the “broken system” in Illinois: There’s a loophole in a state law that discourages property sellers to file all known liens against their properties with county offices. That means buyers run the risk of buying a property only to discover it comes with a pending legal claim for, say, work on a septic system.

Yes, title insurance exists to cover that risk, but imagine how much simpler things would be if the loophole in the law was closed and blockchain could be used instead, says Mirkovic.

“It’s one of the few transactions that requires you to buy private insurance to cover you a record,” says Mirkovic. “It makes sense to fix the system.” A bill is pending in the Illinois state legislature to close the notification loophole.

Too Many Cooks?

The Chicago pilot both showed that blockchain could reframe the property transaction process and uncovering many of the embedded business and regulatory barriers, says Ragnar Lifthra, chief executive officer of Velox, a blockchain real estate platform, and founder of the [Int](#)

Blockchain Real Estate Association.

The pilot's team of government officials, technology experts and lawyers looked at the tit decided the main use of blockchain should be in transferring ownership, not recording th law they have to record anything, but it has to be in the right format," Lifthrasir tells *Thirt* ownership on the blockchain is between buyers and sellers. Everything else is tertiary."

Applications such as title search, property inspection and notarizing contracts all pivot ar transaction. "It's most powerful when all the steps are on the same platform," explains Li had a blockchain transaction with a blockchain-based escrow, then you're greatly reduci the third parties. And that's just starting."

Debbie Hoffman, a mortgage technology advisor and attorney who is founder and chief e [Symmetry Blockchain Advisors](#) in Orlando, sees property transactions as a way blockchai for consumer applications.

The tedious process of collecting and submitting multiple copies of multiple verifications creditworthiness, employment, income and other qualifications to buy a house could all within a data block, she tells *ThirtyK*. "If I put my information on the blockchain for a loan wants to review that loan, I could give permission to access the files to another auditor."

Using blockchain means some players in the current system will likely lose their spot at tl transaction trough, including financial institutions that hold money between various stag transaction. But Hoffman says others, such as underwriters, will be happy to have blockc process more efficient and let them concentrate on higher-level analysis. "Underwriting v human judgment," she says.

Lifthrasir predicts commercial property transactions might be first to use blockchain bec likely will yield the greatest savings and return on investment.

Industry Standards Needed

The key to widespread adoption of blockchain is an industry standard. "You don't want to the market operating in a technology backwater," says Symbiont's Bennett.

In April, the Mortgage Bankers Association created [a working group](#) precisely for that pur hopes will work as well as standards created for other parts of the process, such as legal electronic signatures. Currently, 46 percent, or 1,400, of the country's 3,031 counties offe [closings](#) for home purchases, according to government-sponsored entity Freddie Mac.

Though the process is a thicket of regulations, compliance, reporting and verifications, no point could undermine the entire effort, Bennett says. “We hope it will be completely sea different servicers and investors are on the platform,” he says. “It’s more efficient, but you necessarily know that it’s the blockchain that’s changing the process.”

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