

TECHNOLOGY AND THE DEMOCRATIZATION OF LENDING



NO TECHNOLOGY

ANCIENT GREECE AND ANCIENT ROME

PAWNBROKERS

One of the oldest money lending practices and a form of secured lending with items held as collateral keeping risk down for the lender.

MIDDLE AGES

THE MERCHANT OF VENICE

Christians were forbidden from lending money with interest while Jews could lend with interest to non-Jews. Traders in Venice at this time had access to money lending services from Jewish lenders.



'BANCA'

THE BENCHES WHERE MONEY LENDERS DID THEIR BUSINESS FROM, GIVING RISE TO THE WORD 'BANK.' WHEN A LENDER CEASED TRADING HE WOULD SMASH HIS BENCH – 'BANCA RUPTA,' HENCE 'BANKRUPT'

MIDDLE AGES THROUGH 1800s

INDENTURED LOANS

The rich lent to those without means and in return the borrower worked off their debt by working on the lender's estate.

18TH CENTURY

ROTHSCHILD AND INTERNATIONAL BANKING

Mayer Amschel Rothschild 'invented' international banking when he placed his sons in five European cities, creating a network for transferring money. **Within a century, the Rothschilds were among the wealthiest families in the world.**

The fixing of the daily gold price took place at Rothschild Bank offices for 85 years (1919-2004). Proceedings were paused by participants raising a small Union Jack flag

LATE 18th CENTURY

BUILDING SOCIETIES

Building societies first began in Birmingham in the UK in taverns and coffee houses. Ketley's Building Society was founded in 1775 by the landlord of an inn. Monthly member subscriptions financed the building of member houses.

EARLY 1800s

A NEW ERA IN LENDING

The Philadelphia Savings Fund Society was started so that average Americans could get access to loans and a means of saving.

1932

MORTGAGE FINANCE

US congress created the Federal Home Loan Bank system to support residential mortgage lending by local financial institutions, ushering in a new era of mortgage financing.

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THE BEGINNING OF TECHNOLOGY



1950s – 70s

CREDIT CARDS AND COMPUTERIZATION

1950

Businessman Frank McNamara paid a restaurant bill with a small cardboard card, known today as a Diners Club® Card.

1958

Bank of America launched the BankAmericard, later to become Visa, in Fresno, California where 45% of the residents were its customers. A card was sent to 60,000 residents and so the bank was able to convince merchants to accept it.

1966

Barclaycard was the UK's first credit card.

1973

In 1973 Dee Hock, CEO of Visa computerized the credit card system reducing transaction time to less than a minute.



FROM EARLY BEGINNINGS, THE CREDIT CARD GOES ON TO BECOME A POPULAR METHOD OF PAYMENT. BEFORE COMPUTERIZATION, PAYMENT WAS SLOW AND MANUAL WITH PHONE CALLS BETWEEN MERCHANTS, BANKS AND CREDIT CARD ISSUERS TO CHECK CREDIT BALANCES, AND LISTS OF STOLEN CARD NUMBERS TO CHECK AGAINST.



1959

DATA IN CREDIT DECISIONS

Lenders first start using FICO scores to make informed credit decisions.

1961

The reverse mortgage is born. The very first is written to Nellie Young in Portland, Maine by Nelson Haynes of Deering Savings & Loan to help the widowed wife of his high school football coach stay in her home after losing her husband.

1970

The Federal Home Loan Mortgage Corporation (known as Freddie Mac) is chartered by Congress, creating the secondary market for conventional home loans.

1980s & 90s

INTERNET AND E-COMMERCE

Opportunities grow for online lending specialists

1985

Detroit-based mortgage lender Quicken Loans launches with much of the application and review process conducted online. In the first five months of 2015 it lent out \$24.3 billion of the application and review process conducted online.

1999

First Internet Bank pioneered online-only banking, offering home mortgage loans and banking services.

BUT QUITE A BIT HAS CHANGED SINCE LENDERS FIRST STARTED USING FICO® SCORES IN 1989.

In the first five months of 2015 Quicken Loans lent out **\$24.3 billion.**

SOPHISTICATED TECHNOLOGY



1990s

CLOUD; ANALYTICS; DECISIONING; BUSINESS PROCESS MANAGEMENT; BEHAVIOURAL ANALYTICS

Companies start focusing more on processes – compared to functions and procedures – to maximise productivity, looking at chains of events and modelling cross-functional activities.



1995

In the US, the Federal National Mortgage Association (known as Fannie Mae) and Freddie Mac recommended FICO scores for evaluating mortgage loans.



1997

Predictive Model Markup Language (PMML) provides a standard language for predictive models. Predictive analytics develops as a risk mitigation tool.

EARLY 21st CENTURY

MARKETPLACE LENDING; PEER-TO-PEER

2005

Zopa begins offering peer-to-peer loans in the UK. Since 2005 Zopa has lent over £1.45 billion to UK consumers and identifies the top three loan reasons as car, home improvements and paying off credit cards.

2006

Prosper kicked off the modern peer-to-peer lending industry in the US, followed by Lending Club and other lending platforms soon after.

2007–08

FINANCIAL CRISIS

From January 2008 to April 2011, the FDIC closed 356 banks that failed to manage the risks building up in their commercial and residential mortgage exposures.



2007

THE DIGITAL AGE

The first generation iPhone was released. Mobile banking, shopping and payments later gain popularity with the dominance of smart phones.

21%

2010

LendingTree survey reveals 21% of US homeowners shopped online first for mortgage rates.

21% OF US HOMEOWNERS SHOPPED ONLINE FIRST FOR MORTGAGE RATES

2015

Lenders compete to meet customer expectations of digital services. In 2015, BBVA saw an increase in consumer loans through digital channels with mobile users up 45%.

2016

“Throughout history, the basic premise behind lending and the extension of credit hasn't changed, however, the way lending happens has changed fundamentally. This change will only continue, driven by two fundamental factors – the progression of technology and the need for innovation to meet evolving customer expectations. Customers expect rapid response times and a hassle-free experience. Institutions that embrace the possibilities brought about by the internet, cloud, predictive analytics and future innovations that haven't even been thought of yet, stand to benefit.”

PAUL THOMAS, MANAGING DIRECTOR, PROVENIR

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