



# How Aggregators are Reshaping the Future of Digital Lending

## The paper discusses:

- The growth of aggregators in the lending ecosystem
- Their role in mortgage financing
- The relationship between banks and aggregators: The pros & cons
- The need for collaboration to enable next-level digital lending

Around the world, major industries are experiencing a phase of constructive disruptions.

Groundbreaking product lines, supported by emerging technologies, are challenging incumbents by better identifying and addressing customer pain points.

This wealth of innovation and market competition has led to a significant gap between consumer awareness and their ability to establish best fit. For instance, when a consumer searches for a credit card online, there are multiple cards suggested through various card-sourcing platforms. With so many choices, the consumer is unable to easily decide on the best fit.

This gap has provided an opportunity to niche players known as “aggregators” to step in and help consumers in their decision-making and fulfillment process.

### Who are aggregators?

Aggregators are platform providers that offer consumers comparative synopses of the best solutions in the market, fine-tuned to their search filters, patterns and keywords; location tagging, profile, and browsing history.

Aggregators use third-party services and API gateways to pull information from multiple data sources, and aggregate it into a feature-rich comparative display that helps consumers identify

their ideal product and initiate its purchase directly from the platform.

A typical aggregator model (Figure 1) uses channel outreach to connect with a customer early. The platform’s intuitive tools and integrated ecosystem help consumers make better decisions and connect them to the best offers in the market, faster.

### How aggregators are making inroads in the lending industry

As of 2020, Millennials (or “Generation Y”) are between 17 and 36 years of age. They are one of the first generations to spend their formative years online, and are the largest revenue-driving demographic for aggregators. Based on recent Bloomberg analysis of United Nations data, we will have an estimated population of 2 billion plus global millennials by the year 2020.<sup>1</sup>

Millennials prefer online accessibility, digital experience, and speed of transaction over trusted banking relationships. The penetration of aggregators in the banking industry can be attributed to the growing need of Millennials to secure faster credit decisions and vastly improved customer experience without having to walk to a branch.

To compete with the lending majors, aggregators face high cash burn rates as they establish brand

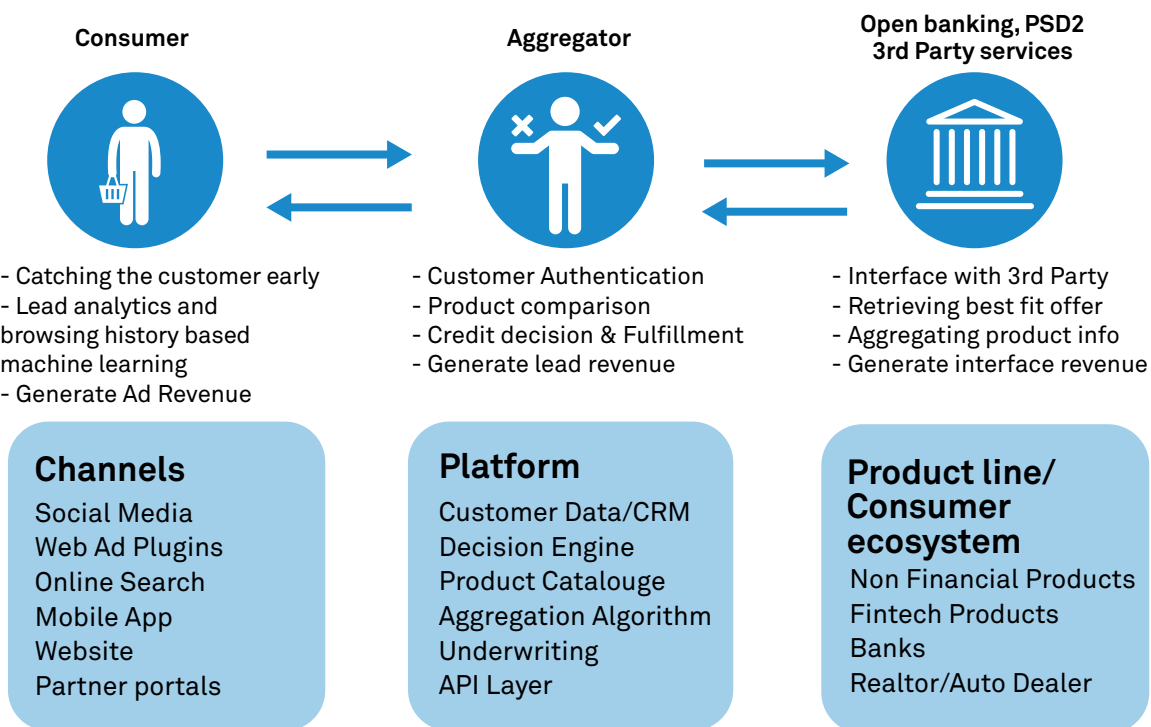


Figure 1: A typical aggregator model

Aggregators on Customer Experience

**Moneycatcha** – An Australia-based fintech companies that enables mortgage organizations to reduce their end-to-end processing time for a home loan application

**OneDome** – A proptech start-up that helps customers with their end-to-end property-buying experience

Aggregators as digital brokers

**Trussle** – A digital mortgage broker that helps first-time buyers and existing homeowners switch to great-value mortgage online

**HashChing** – An Australian online marketplace for home loans that connects users directly to independent-verified mortgage brokers

Real estate investment aggregators

**Proportunity** – Provides real estate data-driven investment insights by applying machine learning technology to identify real estate trends and future high-growth areas

**Wisor** – Enables mortgage lenders to structure and monitor personalized tailored loans

**Earnix** – Empowers financial services companies to predict customer risk and demand and their impact on business performance

Cloud-based platform aggregators

**Cloud Lending Solutions** – Provides a cloud-based, end-to-end lending platform that covers front-to-back office applications

**Blend** – Has a cloud platform that brings simplicity and transparency to consumer lending

Figure 2: Some Prominent aggregators in the lending ecosystem

value. In these early stages, platforms seek backing from venture funds and build revenue models around advertising, commission from leads, and technical integration revenue that allows for long-term sustenance.

Aggregators use algorithms to categorize and match prospective lenders with borrowers on their platforms. They gather credit information from marketplace lenders, credit unions, county and payment records, social media and browsing history, then collate it, using their proprietary programs, to understand the customer's willingness and ability to repay, and match it with the best offers from lenders.

## The role of aggregators in real estate and mortgage financing

More Millennials are buying homes earlier in their careers, due to rises in disposable income and the generous appreciation on real estate investments.

This has led to tremendous growth in mortgage volumes on which traditional lenders have capitalized—but now a new age ecosystem in the mortgage industry is causing significant disruption:

- Aggregators utilize social media, online channel partner websites, optimized searches and real estate forums as touchpoints to catch Millennials early in their borrowing journey, during the search and assess phase. For example: Morovus Ltd. offers an online platform for businesses to communicate with their audience and walk them through various processes using owned and external media.<sup>2</sup>
- Aggregator platforms play a prominent role in shortening the loan application lifecycle by facilitating end-to-end customer journeys and anchoring numerous service providers. Prospective buyers get to search, compare, even choose properties in real time from their devices, with accurate pricing. The US-based property

aggregator Redfin, for example, claims their estimates for active homes on the market have a current median error rate of just 1.77%, and off-market homes are within 6.64%.<sup>3</sup>

- Most aggregators partner with leading realtors, which consider data of prospective buyers' activity on these platforms valuable for generating leads. Hence, aggregators are able to provide better offers and rates to online customers than may be available to the walk-in customers, creating a win-win model for both buyer and the seller in the home buying ecosystem while disrupting the sales of the traditional players. Leading property aggregators Rightmove, Zoopla and Realtor.com each have partnerships with the most prominent realtors.

## What does this growth of aggregators mean to banks?

The growth of aggregators means opportunities for both banks and platform providers to catch the customer early and lure them with exciting offers to increase sales revenue. Though it is logical to assume that these aggregators are helping banks scale up their loan business, there is a flipside to this relationship which banks need to consider before setting up their campaigns and offers on aggregator platforms.

## Transition of the customer base

Today, the major advantage that traditional banks have over younger fintech companies is the customer base and data insights they have built over the years. But as usage grows, aggregators will gradually create a customer base that is significant enough to drive revenue independently. At that time, aggregators can start operating as independent lenders, which will cause a major impact to the sales of the traditional lenders and banks.

For instance, the US-based Zillow has been one of the foremost real estate aggregators for mortgage lending. In April 2019, Zillow officially launched their home loans arm, solidifying their place at virtually every touchpoint in the home-buying and selling process, while their original loan suppliers became competitors on their platform.

But the landscape is changing. Banks continue to go digital. More and more centralized credit information is available online. This provides greater access to granular customer data, enables automated decision-making, and more bespoke

lending with lower cost. Eventually, digitalization will enable banks to match the best offers from independent aggregators.

## Revenue leakage to competitors

For banks to leverage underwriting algorithms and customer behavioral data, the underlying technology requires a lot of data exchanges. Aggregators are also able to retrieve critical customer financial information through these interfaces, and are able to create target cross-sell campaigns for competing banks on a commission-sharing model, leading to revenue leakage for the banks. To prevent this, banks need to adopt encryption and data-masking features, and set up third-party interfaces with partner platforms to protect sensitive customer data.

## Closing note

Considering the changing customer mindset, growth and scalability of the digital lending ecosystem requires collaborative models between banks and aggregators.

In the lending market, the key parameters for customers are:

- Brand recognition
- Competitive pricing
- Superior customer service
- Customer experience
- Agility

Traditional legacy banks have an advantage with the first three parameters, but they struggle to match the superior customer experience and ease of interactions offered by alternate lenders. Aggregators can help traditional banks incorporate digital solutions throughout their credit journeys, improving their customer experience from end to end, and increasing the agility of their underwriting processes.

Aggregators are helping banks define the best approach for their needs, and providing the blueprints to build a digital-ready enterprise, emphasizing technology capabilities to reshape the future of lending.

### References

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