It Doesn't Look Good On Paper! How FriendlyScore is helping to digitise the mortgage industry

Gathering and manually analysing paper statements to assess would-be borrowers' credentials has long been a staple of the mortgage industry. But in the open banking era, automated processes using digital information that is more accurate and less susceptible to fraud will soon replace these methods.

The modern-day mortgage application looks very different from that of even five years ago. Or at least it should look different. FCA-regulated FinTechs such as FriendlyScore offer a world where APIs have replaced paper documents, secure portals instantly verify customer data, and machine learning models deliver affordability analytics faster than you can say "agreement in principle".

And while online banks, digital lenders, and credit unions actively use open banking-based technology to underwrite credit, there remains significant resistance in the mortgage sector to onboard this more modern protocol.

Here we answer some of the key questions which may be driving the industry's hesitancy.

How secure and reliable is the customer journey?
In the initial months of open banking, security issues and buggy software were early adopters' primary concerns. With open banking in its fourth year, these concerns have been alleviated among users as service providers like FriendlyScore have rolled out production-grade software to underwrite large credit portfolios. Smooth customer journeys are now the norm, with customers effortlessly guided through the data sharing process, including completing their own bank's secure authorisation procedure

Can open banking provide the requisite insights into affordability?
FriendlyScore provides real-time insights into an applicant's income and expenditure, providing metrics that can form the basis of a comprehensive affordability assessment. These include disposable income, salary identification and spending patterns by category gathered over twelve months. Compare this with traditional document-based applications that generally span three months, and open banking also represents a marked increase in data coverage.

How accurate is transaction classification?
Accurate transaction classification is a crucial value-add to mortgage brokers and lenders. Trained on millions of UK bank transactions, FriendlyScore's classification model categorises new data with an average accuracy approaching 90%. Given the percentage of bank transactions too ambiguous to be classified definitively appears to be close to 10%, FriendlyScore's model performance is entirely viable.

What about inter-account transfers, which might falsely inflate figures?
Multiple bank accounts are on the rise, especially among younger people who represent the vast majority of first-time buyers. A solid digital trail of transfers between a borrower's accounts is needed to account for all genuine income and expenditure flows. FriendlyScore's software provides just this, ensuring that no misrepresentation occurs due to inter-account transfers.

Do joint applications pose a problem?
Mortgages are often a joint venture, and FriendlyScore has designed their software architecture with this in mind. By giving insight at the account, customer and application level, FriendlyScore enables underwriters to assess applications as if they were interacting with a single borrower while maintaining the ability to drill down into individual accounts.

Can FriendlyScore offer any value to those not yet ready to leave paper documents behind?
If open banking is not for you, FriendlyScore can offer all the same benefits if your organisation can digitise documents (for example, via an OCR service). Users can simply upload standard digital files via FriendlyScore's API to instantly receive the full range of automated credit risk and affordability insights.

FriendlyScore offers mortgage brokers and lenders a hyper-agile digital risk assessment platform to replace inefficient industry-standard practices. Its ease of use, fast integration and competitive rates make it an ideal choice to begin your open banking journey.

For more information on FriendlyScore's services and how they can help improve your mortgage assessments, visit www.friendlyscore.com today.

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