

The rise of electronic trading

Since its inception in 2003, the Mortgage Trading Exchange (MTE) has risen from humble beginnings to become one of the mortgage industry's most important tools. But how did electronic trading come to be so vital? **Mark Loffhouse, CEO of Mortgage Brain** explores the rise of a system that has now processed over two million mortgage transactions.

The initial idea behind electronic trading was brilliantly simple: provide a way of delivering mortgage agreements in principle (AIPs) and processing applications electronically between brokers and lenders.

The thinking was that if a process could be created where all an introducer had to do was to get the client's details and fill in a questionnaire on the screen, send it to the lender and receive a response in seconds, then productivity would increase for all. Importantly, it would also help with record keeping and enable compliance.

But while the idea might have been simple, the practicalities were a little more tricky.

There were a number of reasons for that. For one thing, technology as an idea hadn't penetrated brokers' offices the way it has now, and the idea that it wasn't necessary to fill out every application in long hand seemed a little unnatural to some.

Equally, the mortgage technology didn't exactly help itself in those early days. A number of competing systems were set up, with one or two having major flaws. Amongst the issues faced by early adopters were platforms that wanted lenders to pay £35 for each transaction received. Others would only allow a link with their own systems, thereby alienating introducers who used 'un approved' software. Oh, and each lender was asking different questions on their application forms so pre-population of data wasn't as straightforward as first thought.

It's hardly surprising that some brokers wanted to stick to pen and paper.

Mortgage Brain saw that the solution lay in producing a system which was both cost effective and available to all. To do this, the company decided to only charge lenders a marginal fee for every new transaction they received through the MTE and allow introducers to use it free-of-charge. It was also agreed that the company wouldn't make excessive profit from this activity and that pricing would be the same for all.

Most importantly, however, the software allowed lenders to have their own application forms but the 'look and feel' for the data collection was the same for all. And it had the ability to work with all mortgage sourcing and point of sale/compliance systems.

And so the Mortgage Trading Exchange was born. The pilots went well. Selected mortgage intermediaries submitted over £75 million worth of transactions and Alliance & Leicester, Halifax, Nationwide and Northern Rock were the first lenders to accept electronic mortgage transactions via the MTE. The Bank of Scotland, NatWest, Royal Bank of Scotland, UCB and Woolwich soon followed.

MTE was launched in 2003. Despite its technological success, it's fair to say that electronic trading wasn't an instant hit. By the end of that year only around 150 transactions were being undertaken each week.

It wasn't long, however, before word got around. Just two years later, the average number of transactions per week was up to 2,500. The numbers continued to grow and are now at around 4,000 to 5,000 transactions per week. All in all, the platform has now successfully processed over two million transactions since its launch.

So why has electronic trading been so successful? Firstly, it's flexible. Allowing a lender's own application form alongside generic ones means that a broker doesn't have to think too much about the administration part of the process, he or she can just get on with the important job of getting the most appropriate mortgage for the client.

Secondly, it's extremely compatible with other systems. Again, this means a broker doesn't have to think about the admin side of things. It just happens.

It's also very fast. Never mind a wait of days or even weeks for an answer, electronic trading can give you a response in less than a minute. Faster responses mean more certainty, happier clients, more sales and greater productivity. And in an era where customers want everything done yesterday, if not sooner, and the competition from websites and comparison sites is growing, brokers need every advantage they can get.

It's compliance and FCA friendly too! Over the years electronic trading has been faced with hurdles such as M Day and the Mortgage Market Review and leaped over them with aplomb. Next year's Mortgage Credit Directive is already being tackled.

And those are just the big initiatives. Every day electronic trading helps keep brokers on the right side of the law by helping with record keeping and ensuring they don't miss out any crucial information due to human error. Regulation has already started to eat away at the time brokers have available to spend with customers and without electronic trading brokers' lives would be more difficult still.

All in all, it's clear that electronic trading offers an extremely convenient, reliable and fast method for intermediaries to complete mortgage applications. They take less time and provide a 'right first time' response in minutes. What's not to like?

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