Fintech Accelerates Speed, Efficiency of Fix-and-Flip Funding

Sabrina Zuckerman, COO, Anchor Loans

Private direct lenders specializing in fix-and-flip and rental property financing are using fintech to streamline the loan approval process and speed up funding. Fintech, enhanced with artificial intelligence (AI), quickly analyzes the data that informs borrower approval, project evaluation, loan processing and funding, construction support, payment automation, default prevention and intervention, and many other processes central to real estate investment financing.

What is fintech exactly? The term fintech, or financial technology, describes any advanced technology used in the operations of financial institutions and includes a variety of commercial and personal finance technologies (such as desktop software and cell phone apps) used by businesses and consumers.

By quickly aggregating and evaluating a wide range of data sets, both public and private, fintech allows for fast and efficient underwriting of fix-and-flip and rental properties that would not qualify for traditional bank financing or would take traditional lenders 30-45 days to fund. Using intuitive, AI-enhanced fintech, private hard-money lenders can minimize loan default risk while providing qualified real estate entrepreneurs with fast access to capital for executing purchase contracts, competing at foreclosure auctions, closing cash-only deals and funding construction. With the advantages fintech provides, some fix-and-flip lenders are able to deliver cash to qualified borrowers in as few as two to three business days.

"Being able to capitalize on a deal quickly is important to those in the fix-and-flip business," said Stephen Pollack, CEO at Anchor Loans, the nation's leading provider of fix-and-flip financing. "Fintech enables real estate investors to enjoy the benefits by closing more deals quicker."

In an industry where cash is king and deals happen quickly, real estate investors may lose out if document processing doesn't meet the speed of this lucrative market, which equates to $56 billion in the U.S. alone. According to ATTOM Data Solutions, the fix-and-flip industry grew in 2017 to an 11-year high with more than 200,000 homes flipped. To succeed in this expanding and highly competitive business, real estate investors should be challenging their financial partners to move paperwork processing more efficiently by implementing intuitive fintech technologies.

The implementation of these technologies will vary by financial institution, but the goals are the same: to digitize and streamline typically paper-intensive and time-consuming processes. The Mortgage Bankers Association recently forecasted that home purchases and refinance originations will total more than $1 trillion in 2018, with hundreds of thousands of documents that will need to be processed. As fintech implementation increases across the industry, loan processing turnaround times will continue to decrease due to the ability of machines to instantly read and automate these documents.

As fintech evolves, consumers and businesses will find more interactive robotic technologies in their communications with financial institutions. For example, almost every major financial institution has some version of a chatbot, a computer application that simulates human conversation. These chatbots are an expression of "conversational commerce," a term coined by Uber's former lead developer, Chris Messina. "Conversational commerce is about delivering convenience, personalization, and decision support," says Messina. "I expect more service providers will shift in this direction, becoming more subtle in how they integrate into our lives."

Beyond chatbots, the financial industry is increasingly integrating AI into their processes with behind-the-scene technologies that enhance fluid transfer of data to make the overall customer experience seamless. These processes and technologies include the Internet of things or IoT, a network of interconnected devices; optical character recognition or OCR, the conversion of images into text; natural language programming or NLP, the automation of interactions between humans and computers; and blockchain, a digital ledger that records transactions across many computers so that the record cannot be altered retroactively.

The sky is the proverbial limit when it comes to the future of fintech, and companies committed to staying on the cutting edge will adopt these technologies to enhance benefits to customers and revolutionize the way money flows. Companies that automate more processes will continue to thrive as fintech grows. In addition, delivering value-added benefits to customers will enhance loyalty to your company.

For real estate investors, fintech will continue to have a huge impact on ROI where funding turnaround time is a critical factor in a real estate deal. Investors seeking fast, dependable financing should ask their lender how fintech is being used in the loan approval, funding and servicing processes.

ABOUT THE AUTHOR: Sabrina Zuckerman has worked in the mortgage industry for the past 10 years, with experience in transaction management, asset management, loan originations, project management, and technology. She comes to Anchor with her passion for process improvement and project management.

Ms. Zuckerman is a native of Los Angeles and graduate of the University of California, Berkeley. In her free time, she enjoys traveling, backpacking, and spending time with her family and friends.

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