

SoftBank invests \$500 million in Better.com to digitize mortgage lending

Article

The funding brings the US digital mortgage lender's valuation to \$6 billion, up from \$4 billion last November when it raised \$200 million during a Series D round, [per TechCrunch](#). [Better.com](#) offers proprietary mortgages via a fully digital and commission-free loan process. It also integrates its offering into partner lenders' platforms to improve their mortgage processes, such as [Ally Bank](#).

Pandemic conditions over the past year drove demand for Better.com's digital solution, boosting its valuation amid record-breaking loan volumes.

- **Borrowers flocked to its online and cheap mortgage process due to stay-at-home rules and historically low interest rates.** Traditional mortgage processes tend to **require** frequent branch visits, with the closing usually involving an in-person meeting with all involved parties, including the attorney, closing agent, and lender. But pandemic-enforced lockdown measures pushed consumers to seek online application processes, which Better.com already offered. Its platform drastically reduced time and fees spent on mortgage applications: Users can get pre-approved in 3 minutes, while its commission-free business model allows customers to save an average of \$3,500 in fees, **per** CEO Vishal Garg. Additionally, mortgage rates went in a **downward** spiral over the course of 2020, encouraging both first-time purchases and refinancing.
- **Better.com is already on track to beat its 2020 record.** Better.com went from processing \$1.2 billion loans per month pre-pandemic to over \$2.5 billion in October, funding a total of \$25 billion in loans for 2020. And despite mortgage rates ticking back **up**, the digital mortgage lender is already on track to beat this record in H1 2021: It funded \$14 billion in loan volume in Q1 alone.

To propel its growth, Better.com should target fintech startups looking to add a mortgage offering. Better.com is already partnering with banks to digitize their mortgage processes, but increased consumer demand for digital mortgage solutions is enticing fintechs to add this offering as well, presenting new partnership opportunities for Better.com. Startups in other fintech hubs are already moving forward: UK digital wealth manager **Moneybox** is helping users find the best mortgage deals, while **WealthSimple** is planning a mortgage product in Canada. In the US, Betterment currently offers financial **education** on homebuying, but Better.com could position itself as the partner of choice for interested US fintechs to rapidly bring mortgage loans to market, helping it diversify its distribution channel.

Do US Community Banks Offer Digital Loan Applications?

% of respondents, July 2020



Source: Federal Reserve System, the Conference of State Bank Supervisors (CSBS), and the Federal Deposit Insurance Corp, "Community Banking in the 21st Century: 2020 Research and Policy Conference," Sep 30, 2020

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