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Banks Have Big Tech Breathing Down Necks, Competition Heats Up

We usually hear about Fannie Mae's National Housing Survey (NHS) in terms of whether respondents think it is a good time to buy or if they see the economy moving in the right or the wrong direction. But the third quarter survey looked at **consumers' relationship with their banks** and their comfort level with Big Tech's Tech (e.g., Google, Amazon, Apple, and Facebook) foray into financial services.

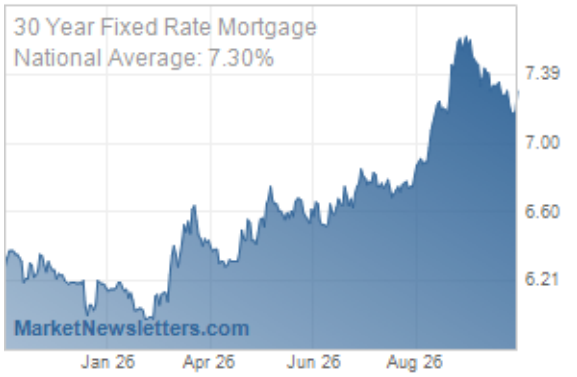
Only 43 percent of respondents say they would be very likely to recommend their bank, but when asked why they tend to stay with them the most common answer (43 percent) was force of habit. Twenty-five percent said it was because they trusted the institution while smaller numbers said it was due to a convenient location, faster and more efficient services, or better rates. Only 10 percent chose a better on-line interface.

The majority of respondents said they trusted their primary bank to handle their money and most said their bank's online services are easy to use and provide most or all of what they want to do. Many said they perform simple tasks using their primary bank' online interface - depositing money, paying bills - but are **less comfortable performing complex tasks** such as applying for a mortgage.

Steve Deggendorf, Fannie Mae's Director of Market Insights Research writes about the survey in his company's *Perspectives* blog. He said, "The survey's findings come at a time when traditional banks and financial institutions face increasing competition from start-ups and established Big Tech. These new entrants are looking to offer financial services and are often credited with offering dazzling consumer digital experiences significantly better than those of traditional banks. Given the digital and customer experience prowess and resources of Big Tech firms, they may be especially well-situated to compete against traditional financial institutions."

When respondents were asked to name their "favorite" tech company, Google ranked first, but there was no clear favorite. This creates an opportunity for **those that can develop and offer the best mix of services** Fannie Mae says.

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.30%	+0.12	0.00
15YR Fixed	6.92%	+0.09	0.00
30YR FHA	6.89%	+0.07	0.00
30YR Jumbo	7.40%	+0.03	0.00
7/6 SOFR	6.80%	+0.31	0.00
30YR VA	6.90%	+0.07	0.00

Rates as of: 11/10

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.43	-0.62
10 YR Treasury	4.9860	+0.0952
30 YR Treasury	5.3557	+0.0737

Pricing as of: 11/10 5:59PM EST

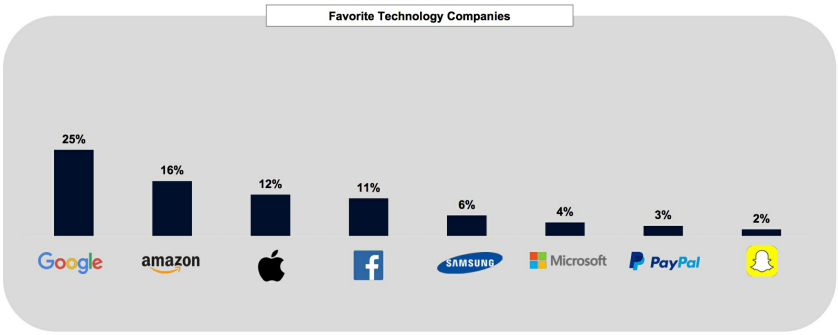
Recent Housing Data

		Value	Change
Mortgage Apps	Oct 28	192.6	-1.23%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

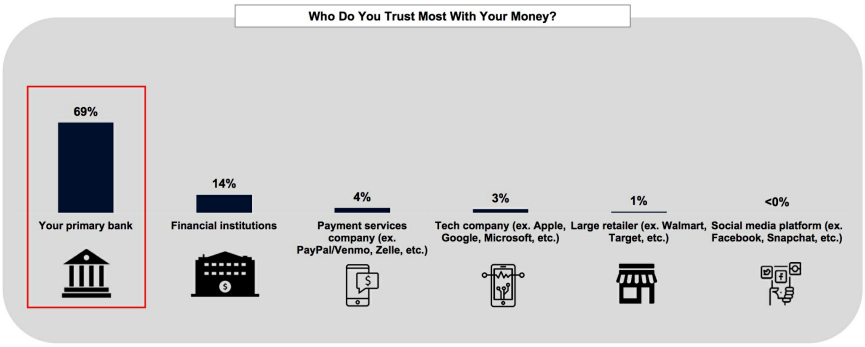
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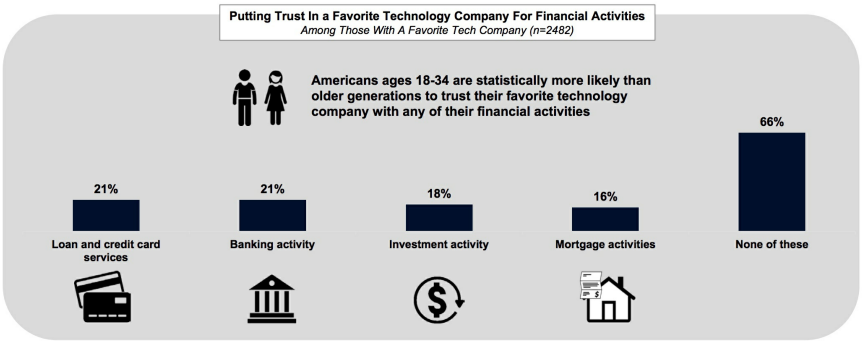
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But tech companies do not, at least as yet, inspire much trust. Few said they were comfortable with tech companies handling their money.



Still, more consumers are willing to trust their favorite tech firm for some financial needs, including applying for a mortgage. Not surprisingly this comfort with and trust in high tech companies varies greatly by age, with **younger respondents much more willing to engage**. Still 66 percent of respondents as a whole said they didn't trust tech companies to perform any of the services they were asked about.



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Deggendorf says it is time for banks to step up their game. While the majority of customers regularly use online banking and are more or less satisfied with the interface, **most prefer to deal with a person**, either face-to-face or on the phone, when completing complex tasks like dispute resolution or applying for a mortgage.

Big Tech firms excel at the online digital experience in ways that most banks currently do not, he says, and are increasingly experimenting with ways of meeting their consumers' financial needs. For example, approximately one-third of persons who make mobile payments use a Big Tech firms third-party payment websites and apps. There are multiple ways for these firms to compete with banks using their digital expertise to perform more complex and costly transactions that consumers prefer to do today via personal interaction. He points to Asia where Alibaba, Baidu, and Tencent already offer services including payments, wealth management, insurance, and consumer lending on-line.

But Big Tech has **some disadvantages as well.** Consumer data breaches and privacy issues have eroded trust, giving traditional banks some breathing room in which to gain digital ground. Deggendorf says while the NHS shows that only about 20 percent of consumers would trust their favorite tech firm with their financial activities, Fannie Mae's prior research shows that a majority of recent homebuyers have some interest in a fully digital mortgage. He concludes that banks need to consider how to best digitize more complex financial tasks before Big Tech does.

Expert Advice | Exceptional Service | Flawless Execution

With 27+ years of expertise in mortgage banking you can be confident in my knowledge and abilities to deliver a seamless loan transaction while providing personalized service.

Rich E. Blanchard 

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