



# Better.com Aims to Cut Down Time, Fees When Getting a Mortgage

By

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*Sound Businesses: Profiles of companies and business models we are keeping an eye on.*

Serial entrepreneur Vishal Garg founded [Better.com](#) to simplify the \$9 trillion mortgage industry by dramatically cutting down the time and fees it takes to get approved for a loan.

Within three years, Better.com has emerged as a serious threat to the traditional mortgage process. Despite competition from legacy players and fellow fintechs, Better.com's digital approach and expanding footprint are making a name for the company, particularly among millennials looking for a smoother path to home ownership.

At Better.com, borrowers can get pre-approved for a loan in minutes and submit all their paperwork online without paying origination fees, while also getting help from a dedicated loan officer. Not only that, the company also is demystifying the mortgage process with simple, clear information.

“Buying a home is not only the biggest financial transaction most people take, but also one of the most cumbersome, stressful and antiquated,” said Garg, who also founded online student loan lender MyRichUncle and is part of the founding teams of Phoenix Holdings and 1/0 Capital.

“Mountains of paper being faxed all across the country containing sensitive consumer data is a thing of the past and we strive to make every point for the borrowers home-buying journey seamless, digital and convenient,” he said in an interview with Karma.

On May 9, the company announced that it is expanding into five additional states for a total of 36. Last year, it helped more than 10,000 families get a home, saving each an average \$3,500 in upfront fees. It has funded \$3 billion in loans since its inception and has over 600 employees.

The company has more than \$20 million in annual revenue, a spokeswoman told Karma Network. It originates mortgages and then sells them to banks, private investors or government entities like Fannie Mae who provide loan servicing.

The idea for Better.com came to Garg when he and his wife were in the market for a new apartment. They lost out to what he says was an inefficient process.

“We discovered firsthand how opaque, messy, and simply unfair the mortgage industry was,” said Garg. “My wife and I were qualified buyers getting blocked by branch visits, commissioned loan officers, faxes, upfront fees, and more papers and phone calls than we could count.”

So he acquired a small Silicon Valley-based mortgage originator and rebuilt it with an online model.

“Think of how easy and convenient it is to pay your rideshare in the app, compared to pulling out your wallet at the end of a cab ride,” Erin Lantz, vice president and general manager of mortgages for Zillow Group, told Karma Network. “There is nothing like that today in the real-estate transaction.”

Better.com, which recently rebranded from Better Mortgage, has attracted investors since launching in 2016. The New York-based company has raised \$135 million in three funding rounds, including a series C announced on Jan. 31 that was led by American Express Ventures and Healthcare of Ontario Pension Plan (HOOPP).

Other backers include Goldman Sachs, Kleiner Perkins, Ally Financial, Citigroup and Pine Brook.

### **A Race Towards Disruption**

The mortgage industry is ripe for disruption. It takes 42 days on average to close a mortgage loan, and the process is often stressful and confusing for first-time buyers. Better.com’s average is 33.6 days.

The industry has also been slow to ditch paper. Recently, one key hurdle to digitizing the mortgage process was overcome as Wells Fargo, the biggest mortgage aggregator in the US, began buying electronic promissory notes, which are the record of the obligation to repay the mortgage. As a result, the use of eNotes rose considerably in the first quarter of 2018, [up almost 5,000%](#) from last year.

Better.com’s challenge is beating competitors in the digitization race, including industry giant Rocket Mortgage by Quicken Loans. Other players in the digital lending space include SoFi, Blend, LendKey Technologies and LoanDepot.

Fintechs are also working on other pieces of the mortgage puzzle, including [Opendoor](#), which enables you to sell your house online and [Lenda](#), which streamlines mortgage refinancing. Better.com’s advantage against its competitors is providing competitive rates quickly and having a team that provides customer support, a rep told Karma. It has

also explored strategic partnerships, such as one with Ally Financial that offers Ally's customers its mortgage service.

### **Tough Competition**

That is perhaps the biggest risk facing Better.com – fierce competition. While Better.com boasts a proprietary matching technology that enables it to sell loans to the highest-paying investor, customers have many options when it comes to digital mortgage lending.

Established players in particular pose a threat. Thanks to its Super Bowl spots, [Rocket Mortgage](#) has strong brand recognition, not to mention a parent company, Rock Holdings Inc., that Forbes estimates is worth \$6.6 billion. Zillow, which has established itself as a go-to resource for listings and home prices with over 160 million monthly users, also has ambitions in the space.

“We’re building a platform that will serve all of your real estate needs, whether you decide to buy, sell or rent,” Zillow’s Lantz told Karma. “We imagine a future where the home selling process is as transparent and easy as a phone tracker on your phone.”

In terms of competition, Lantz says the winners in the field will be those who can deliver that experience: “It’s about who can create a better home-buying experience with technology that eases and simplifies the transaction itself.”

### **Products for a New Customer**

Like many of the startups, Better.com is streamlining a dated process for the digital consumer. One in three of its customers are first-time home buyers, and 72% put less than 20% down.

To bring those customers up to speed, Better.com has an educational component too. Its website breaks down unfamiliar terms, like pre-approval letter and closing costs, for novice buyers and offers tips on how to get approved for a mortgage when you make money through the gig economy.

Recent blog posts include “How first-time homebuyers put down roots without giving up their travel goals” and “Why millennials are #SpentOnRent, in their words.”

“We were pretty intimidated by the process at the beginning. I think that’s how a lot of people in our age bracket feel,” a 27-year-teacher says in [one testimonial](#). “We chose Better over the broker we spoke to previously because it made the mortgage origination cheaper [and] it used an interface we were comfortable with.”

For millennial buyers, Better.com may just be the hand-holding service to make home ownership a less painful journey. Better.com is not just updating the mortgage application process for the digital era, it is also striving to help a new generation of buyers navigate a process that has been opaque for too long.



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