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# Blockchain used in \$313 million mortgage securitization from Redwood Trust's CoreVest

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Yesterday Redwood Trust subsidiary [CoreVest](#) announced a \$313 million securitization backed by single-family rental (SFR) loans. One of the distinguishing features is that loan payments are tracked using blockchain

technology from [Liquid Mortgage](#). This means that investors can view loan payment activity on a daily basis.

Last April, Redwood Trust funded Liquid Mortgage's seed round for an undisclosed sum.

At that time, Redwood Trust's Fred Matera, Head of Residential, said, "The mortgage market, in many ways, is a "holy grail" for blockchain technology, but the complexities and nuances of the mortgage business have made it a very difficult nut to crack. Our view at Redwood Trust has been to use blockchain as a tool to help streamline and evolve the existing mortgage ecosystem."

## Liquid Mortgage's solution

Coming back to the loan payments, without this blockchain solution, typically investors will only have that payment data six weeks later. Currently, the waterfall-based payments to securitization investors will still be paid in the normal timeframe the following month. However, receiving the payment data earlier enables the investor to assess performance and helps with transparency for trading the asset-backed security.

Liquid integrated its solution with a single mortgage servicing company to get the payment data. Its platform uses the Stellar public blockchain but does not store any personal data on the blockchain.

Apart from sharing payment data, Liquid Mortgage's platform helps with tokenization and due diligence.

Each loan that underpins the securitization is a digital asset sitting in a wallet. As the user repays the loan principal, the balance in the wallet reduces in line with the loan balance.

Regarding due diligence, given that mortgages are an asset and hence change hands, validations are usually done each time a mortgage is re-sold.

For example, the original loan document, which is usually on paper, needs to be checked for completeness and accuracy. The data relating to the loan is often keyed in by hand, and someone needs to validate that the data matches what's in the document. This task is delegated to a due diligence provider.

The document and the data can be logged on the blockchain using a digital fingerprint or hash that doesn't leak private data. Hence it's possible to check that the documents and data are the same as the original by simply validating the hash. So it is only necessary to pay a due diligence provider when the loan is originated or amended, as opposed to when it changes hands.

## Others using blockchain for mortgage backed securities (MBS)

Liquid Mortgage is by no means the first to explore blockchain for mortgages. Lewis Ranieri, one of the highest profile people in the mortgage backed securities (MBS) sector, partnered with blockchain firm Symbiont for a mortgage solution back in 2016, with the project **announced in 2018**. When we chatted with Symbiont last year, the project was at an advanced stage. Symbiont's solution is focused on the asset servicing side of things, so tracking payments and analytics for how the MBS is performing.

Another company involved in the area is Figure Technologies. It previously released **asset backed securities** based on HELOC loans with data stored on its Provenance blockchain. It also is using its solution as a **mortgage registry** instead of MERS. And several Chinese banks have issued mortgage backed securities with the data tracked using blockchain.

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