A Blockchain Financing Facility Helps Bring the Industry’s Future Into Focus

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What was once a thought experiment has become a reality. In May, Figure Technologies launched a functioning asset-based financing facility of up to $1 billion on blockchain. Backed by home equity lines of credit, the facility is on Figure’s Provenance.io blockchain platform. Representatives from the parties involved with the financing spoke about their experience on a panel on Tuesday.

Peter Silberstein, who is head of capital markets for Figure, found that the technology allowed his company to streamline operations. He mentioned that a typical HELOC origination would take 45 days to fund, but Figure took only four days when using digital assets. “The ease of use has surprised us,” agreed Brian McGrath, managing director at Jefferies, which partnered with Figure on the facility. Jefferies can make periodic advances to Figure under a variable-funding note, which is secured by Figure’s HELOCs.

Because the data stored on the blockchain is updated in real time, potential ratings should theoretically be more up to date, according to Beth Forbes, senior vice president at Morningstar Credit Ratings. While no ratings exist yet on blockchain, the technology makes the process more transparent and efficient. The data has already been scrubbed and validated, giving analysts more time for high-value analytical work. Analysts could also store their models on blockchain. Forbes highlighted that the risk is making sure there is enough legal and technological expertise to avoid any surprises.

Silberstein has ambitious expectations for blockchain. Provenance has open source code, so other originators can onboard their loans to the platform. If Figure were the only originator on Provenance, he would view it as a failure, but others are also on that platform. Silberstein sees the technology as being for more than just loans, saying that it can also serve stocks, derivatives, and real estate.
Kristin Moore, senior vice president and director of corporate trust at WSFS Institutional Services, which acts as trustee to Jefferies for the Figure financing, believes that education is key to widespread adoption. Keeping investors informed will help extend blockchain’s reach. The Figure financing facility could be just one small step on the journey to a greater blockchain presence in the financial services industry.