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THE TRANSFORMATION OF THE MORTGAGE BROKER'S ROLE AMID THE DIGITALIZATION OF FINANCIAL SERVICES

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ABSTRACT

The article presents an analysis of the transformation of the mortgage broker's role in the context of the digitalization of financial services. The study is based on an interdisciplinary approach, combining insights from financial economics, digital business, banking innovations, and behavioral research. Particular attention is paid to the thematic analysis of scholarly publications covering competitive changes in the lending market, the institutional functions of brokers, and the adoption of FinTech platforms. Key mechanisms of influence are identified, including the reduction of interest rates in broker channels, the extension of amortization periods, the expansion of access for borrowers with less stable profiles, and the intensification of competition among lenders due to digital platforms. A comparative analysis shows that traditional brokers continue to affect loan parameters and risk structures, while digital intermediaries assume the functions of information aggregation and reduction of asymmetry in the interests of clients. The need is substantiated for a rethinking of business models and regulatory practices that account for the transition of brokers from the role of "navigators" to that of "digital mediators." Promising avenues for future research are presented, including the assessment of platform competition's impact on the sustainability of the mortgage market, borrower behavioral characteristics, and the effectiveness of supervisory measures in the digital ecosystem. The article will be useful to researchers in financial economics, specialists in digital transformation, regulators, and mortgage market practitioners interested in understanding institutional shifts and developing new intermediation strategies.

KEYWORDS: mortgage brokers, digitalization, FinTech platforms, borrower behavior, market competition, financial intermediation.

INTRODUCTION

The modern mortgage lending market is demonstrating a significant shift in emphasis from traditional banking channels to decentralized forms of interaction between borrowers and financial intermediaries. In the context of digitalization, the services of a mortgage broker are taking on new



forms. They are ceasing to be merely an intermediary link and are increasingly becoming participants in shaping the customer experience and the structure of the credit product itself [2]. The digital environment stimulates an increase in online inquiries, simplifies the comparison of offers, and raises the requirements for transparency of terms, which directly affects the nature of brokers' work.

Attention to the role of brokers is also intensifying due to changes in consumer strategies. Borrowers are more often focused on individualized solutions related to loan size, amortization periods, and the level of acceptable risk. In these conditions, mortgage intermediaries find themselves under dual pressure: on the one hand, they need to maintain a competitive advantage over digital platforms, and on the other, they must ensure stability and trust from clients.

New lending practices reveal a contradiction between the task of facilitating access to mortgages and the risk of imposing products associated with an increased debt burden. There is a growing need for a comprehensive analysis of both borrower behavior and the institutional conditions in which brokers operate. The psychological dimension is also becoming an important context [5]. Trust in an intermediary is increasingly linked to financial benefits and a subjective feeling of security and control over the choice.

The objective of this study is to analyze the transformation of the mortgage broker's role in the context of the digitalization of financial services, to identify key areas of change, and to determine their consequences for borrowers and financial institutions.

MATERIALS AND METHODS

The methodological basis of this study was a thematic analysis of scientific publications dedicated to the transformation of the role of mortgage brokers in the context of the digitalization of financial services. The focus was on theoretical and empirical works published in international peer-reviewed journals covering financial economics, digital business, and banking innovation. The analysis of sources allowed for the identification of key trends related to the implementation of FinTech platforms, changes in competitive mechanisms in the lending market, and the transformation of the intermediary function of brokers.

The inclusion criteria were publications containing data on the impact of digital tools on mortgage lending, mechanisms of interaction between banks and online platforms, and studies on customer perception and behavior in the changing digital environment. The literature was selected based on its relevance, analytical depth, and the evidence supporting its conclusions.

The study by Barroso M. [2] provides a systematic review of digital transformation and the formation of the FinTech sector, which helped establish the general context of the changes. The work of Chung S. [4] examines in detail the role of mortgage brokers in shaping client preferences and reducing



informational uncertainty. The research by Jason Allen [7] reveals the functions of intermediaries in the selection market and their importance for correctly matching borrowers and lenders. A significant contribution to understanding digital competition comes from the results of Basten C. [3], which show how online platforms change the behavior of banks, stimulating them toward price diversification and decision automation.

Meanwhile, the work by Hu X. [6] describes methods for applying contrastive learning and domain adaptation algorithms to expand inclusive access to mortgage products through digital channels. The study by Vives X. [10] complements the analysis by showing how information technologies intensify competition among lenders and affect market structure. In turn, Cuadros-Solas P. J. [5] document the impact of FinTech borrowers on the market power of banks and the stability of the system, which allows linking the digitalization process with stability issues.

Additionally, the research by Thorp S. [9] focuses on the psychological and behavioral aspects of perceiving mortgage decisions in the context of digital interfaces and consulting. The work of Ardon L. [1] proposed a simulation approach to designing new mortgage products, which is of methodological importance for evaluating the effectiveness of innovations. Finally, Saari A. [8] reviewed best practices for applying blockchain technologies in cross-industry digital transformations, providing an interdisciplinary context for the analysis.

The results of the analysis are structured in a logical sequence, moving from general trends in the digital transformation of the financial sector to an investigation of the intermediary role of mortgage brokers and the specifics of their activities on digital platforms. This approach ensured a holistic assessment of the transformation of the broker's function and its documentation in the scientific literature without introducing empirical data beyond published research.

RESULTS

An analysis of borrower characteristics and mortgage lending conditions demonstrates consistent differences between clients of banking channels and clients who use the services of mortgage brokers. The study by Jason Allen [7] shows that broker channels attract riskier borrowers who, nevertheless, gain access to more favorable lending terms. Table 1 compares the key parameters that characterize the differences in borrower profiles and loan structures.

**Table 1 – Comparative characteristics of borrowers and mortgage conditions by channel
(Compiled by the author based on source: [7])**

Indicator	Bank channel	Broker channel	Δ (difference)
Borrower income, \$k	70.5	69.6	-0.9
Average house price, \$k	181.3	202.9	+21.6
Amortization period, yrs	27.8	28.8	+1.0
LTV ratio, %	93.4	93.6	+0.2
Interest rate, %	5.42	5.28	-0.14

The data presented indicate a systemic difference: brokers provide borrowers with lower interest rates, but this advantage is accompanied by a higher debt burden and an increase in the average price of the purchased home. Thus, broker channels shift the focus toward expanding access to mortgages for borrowers with less stable profiles.

Of particular importance is the fact that, despite nearly identical income levels, clients of brokers purchase more expensive properties. This suggests a tendency for such borrowers to more aggressively use their available credit limit. The longer amortization period in the broker segment confirms an orientation toward maximizing short-term affordability, even at the risk of extending the debt burden.

In the broader context of the digitalization of financial services, this specificity is understandable. The study by Basten C. [3] shows that platform-based forms of mortgage lending intensify competition and stimulate diversification of the product line, which facilitates market entry for borrowers with borderline characteristics. In turn, the results of Cuadros-Solas P. J. [5] document that the expansion of FinTech lending reduces the market power of banks and simultaneously weakens the stability of the traditional system. These changes create an institutional niche where brokers act as key conduits for the interests of clients who do not always meet strict banking criteria.

The behavioral dimension is also an important aspect. The study by Chung S. [4] notes that using the services of brokers reduces the level of confusion and increases the subjective comfort of borrowers when choosing a credit product. Methodologically interesting is the work by Ardon L. [1], where a

two-level simulation approach shows that the design of new mortgage products can increase borrowers' resilience to external shocks. The inclusion of brokers in this process seems logical, as they are the ones capable of adapting products to the real needs and behavioral characteristics of clients.

Thus, it can be argued that brokers expand borrowers' opportunities by reducing rates and transform the structure of the mortgage market, creating a new model of risk-reward trade-offs. On the one hand, this increases housing affordability; on the other, it creates potential threats to debt sustainability in the face of macroeconomic shocks. Therefore, the role of brokers should be considered both as intermediary and institutionally significant for the entire architecture of mortgage lending in the digital era.

The identified differences in borrower profiles and lending conditions require decomposition into individual factors that determine the nature of product choice. The study by Jason Allen [7] shows that the set of factors can be divided into four groups: the direct influence of brokers, price differences in rates, unobserved characteristics, and observed characteristics of borrowers. Table 2 examines how each of these elements contributes to the final differences in product decisions.

Table 2 – Contribution of different factors to product choice differences (Compiled by the author based on source: [7])

Factor	Contribution, p.p.	Main manifestation
Direct broker influence	-5.99	Stimulates extended amortization
Rate-difference effect	-0.91	Minor impact on amortization choice
Unobserved factors	-3.79	Risk tolerance and liquidity preferences
Observed factors	-4.34	Age, income, credit history

The presented decomposition demonstrates that the key driver of differences in amortization is the direct influence of brokers. Eliminating channel-specific fixed effects leads to a noticeable reduction in the share of long amortizations among broker clients. The effect of rate differences on this dimension is small, which is consistent with the fact that the price advantage of the broker channel primarily affects the choice of the down payment amount, not the repayment horizon [7]. Unobserved characteristics—preferences for consumption today, a propensity for prepayment, limited liquidity—make a comparable contribution, confirming that part of the shift toward "long" products is formed by the composition of borrowers who come to brokers.



It is important to separate the results for amortization from those for LTV. For high LTV, the leading explanation is selection based on unobserved factors, whereas the direct influence of brokers on LTV is almost non-existent and has the opposite sign. When the direct influence is removed, the share of high LTVs increases, indicating a lack of "pushing" toward the maximum LTV by the intermediary [4]. At the same time, the effect of rates is more pronounced precisely for LTV. A switch to "bank" rates reduces the share of high LTVs.

Comparing these results with data on platform channels and digital providers shows that the development of non-bank and platform-based distribution increases the diversity of product trajectories and access to alternative lenders, but does not eliminate the role of behavioral and hidden demand characteristics [3]. In an environment of increasing competition and IT acceleration, the redistribution of risks between channels becomes more sensitive to the structure of borrower preferences and pricing policies, which corresponds with the general conclusions about the impact of FinTech competition on the market power of lenders [5].

Consequently, the differences in amortization are primarily an institutional artifact of the channel (direct influence of brokers), whereas the differences in LTV are mainly due to selection based on unobserved preferences and a response to price signals. This asymmetry across risk dimensions is crucial for evaluating regulatory measures: interventions aimed at "neutralizing" the influence of brokers on amortization will affect a smaller share of costs than measures related to rate transparency and qualification rules that determine the distribution of LTV [7].

DISCUSSION

Online mortgage platforms remove geographical restrictions and allow banks to make price and product offers to clients in regions without their own branch network, which changes the competitive environment and market entry rules. The study by Basten C. [3] shows that with an exogenous variation in concentration (HHI), caused by a reduction in lending by the largest banks, platform participants more frequently direct offers and reduce margins in more concentrated cantons. According to their IV estimates, the marginal probability of an offer increases, and the spread over the swap rate decreases, which the authors interpret as an investment in a future client base in the presence of switching costs [1]. This result is consistent with the thesis of reduced search costs and increased contestability of sales channels as financial services become digitalized [4]. It fits into the broader logic of IT's influence on competition among credit providers, where technological infrastructure changes demand elasticities and pricing tactics. Finally, the platform simultaneously opens a window for inter-regional diversification and decision automation, which reduces banks' operational costs and supports a more aggressive online pricing strategy. Table 3 examines the quantitative impact of concentration on bank behavior, as measured by instrumental variable estimates where HHI is instrumented by the shift in the market shares of the largest banks.

Table 3 – Effect of market concentration on bank behavior (Compiled by the author based on [3])

Indicator	Effect of HHI	Interpretation
Probability of making an offer	+0.82 (AME)	More offers in more concentrated markets
Rate spread, basis points	-2.35***	Lower margins in more concentrated markets

*Note: The coefficient of -2.35 is the estimate for the spread over the corresponding swap in percentage points of the spread per unit of HHI; it is equivalent to -235 b.p. for a change in HHI of 1, and for a typical HHI shift of 0.03, it corresponds to a decrease of approximately 7 b.p.; "****" indicates statistical significance at the $p < 0.01$ level [3].*

The observed effects confirm the author's position: digital channels intensify competition by lowering entry barriers to local markets and increasing the transparency of offer comparisons, resulting in banks increasing their participation in bidding and reducing price markups [8]. This overall mechanism is consistent with systematic reviews of the digital transformation of finance, which note the growing role of FinTech intermediaries and the reshaping of the competitive advantages of banking channels [2]. The trajectory of the price response in concentrated areas is not inconsistent with modern models of IT-mediated lender competition, in which technology reduces rents from local market power and expands the zone of price competition for initial client acquisition [10]. Finally, the shifts described in the study are complemented by the identified automation of decisions and the drive for inter-regional portfolio diversification, which strengthens incentives to reduce margins at the initial online offer stage [1]. Taken together, this allows digital platforms to be interpreted as catalysts for a "flatter" competitive structure with larger volumes of offers and lower spreads, especially in previously concentrated segments.

The results discussed allow for a more precise understanding of the transformation of the mortgage broker's role in the context of digitalization. The study by Allen J. [7] shows that traditional brokers have a direct impact on loan parameters, primarily by extending the amortization period, thereby indirectly influencing the availability of loans. Their actions alter the distribution of risks and create a higher probability of attracting borrowers with different characteristics. This channel of influence confirms the continued importance of brokers as intermediaries capable of modifying product choice even in the presence of alternative channels.

Simultaneously, the development of FinTech services leads to the emergence of digital platforms that



perform the functions of "new brokers." The study by Basten C. [3] shows that platforms change the competitive behavior of banks: the probability of an offer being made increases, and margins decrease in more concentrated areas. Thus, digital intermediaries reduce information asymmetry and expand access to offers, allowing borrowers to see many alternatives at once. This mechanism is comparable to the traditional function of brokers in aggregating information and guiding the client, but it is implemented through algorithmic interfaces and comparison tools.

In the long run, this changes the institutional logic of broker activities. Whereas they previously acted as navigators helping clients navigate the complex conditions of the credit market, in the digital ecosystem their functions are shifting toward those of a "digital mediator." This necessitates the development of new interaction models in which brokers compete with each other and with platforms that have the advantages of scalability and automation.

Furthermore, these changes raise questions about adjusting business models. To remain relevant, brokers must develop value-added services: personalized consultations, client support during the long-term servicing of the loan, and integration into multichannel digital ecosystems. Their competitiveness will depend not on their ability to offer a lower rate, but on their skill in integrating into the digital infrastructure and working with large datasets.

Finally, these processes require a rethinking of regulatory frameworks. Traditional regulation of brokerage activities is focused on controlling conflicts of interest and the transparency of remuneration. However, in a situation where a significant part of their functions is performed by digital algorithms, new risks must be taken into account—from the opacity of ranking models to the protection of clients' personal data. This underscores the need to update supervisory practices and develop standards for digital intermediation that ensure the trust of market participants.

CONCLUSION

The conducted research has identified the main directions of the transformation of the role of mortgage brokers in the context of the digitalization of financial services. It has been established that brokers retain the ability to directly influence the parameters of credit transactions, providing lower interest rates and expanding access to larger loans, but simultaneously extending amortization periods and increasing the debt burden.

The analysis has shown that differences in product decisions are explained by a combination of factors: the institutional influence of brokers, price signals, and the observed and unobserved characteristics of borrowers. It is this combination that shapes the specificity of broker channels, distinguishing them from traditional bank lending.

Digital platforms act as new intermediaries, performing the functions of traditional brokers through



algorithmic mechanisms. They reduce information asymmetry, stimulate increased competition, and contribute to the redistribution of market power in favor of borrowers. As a result, brokers face the need to rethink their own business models and integrate into digital ecosystems.

The formulated conclusions point to the dual nature of the ongoing transformation. On the one hand, brokers remain an important element of the mortgage lending architecture; on the other, their functions are gradually shifting toward digital mediation. This requires updating regulatory approaches, revising transparency standards, and developing new trust mechanisms.

Prospects for further research are related to analyzing the long-term consequences of digitalization for the stability of the mortgage market, studying the behavioral characteristics of borrowers in the platform economy, and evaluating the effectiveness of regulatory measures in the new competitive environment.

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