

Contents

Acknowledgments — VII

About the Author — IX

Foreword — XI

Introduction — 1

Accidental Disruption — 1

Why I Wrote This Book — 3

Chapter One

The Drivers of Disruption — 5

Amazon's Challenge to Retailing — 5

The Amazon Effect: Beyond Books — 11

Creative Destruction — 12

Financial Services Disruption — 15

When an Industry Demands Disruption — 18

Analysis of the Fee Structure in a Real Estate Transaction — 21

The Lessons of Convergence — 24

Fintech Disruption via Convergence and Logistics: It's Already Underway — 26

The Convergence of Residential Real Estate Data: A Scenario — 27

Where the Residential Real Estate Industry Is Headed — 29

Chapter Two

A History of Disruption from 600 BCE to Today... and Beyond — 31

Ancient Greece: The First Fintech — 31

The Medicis Dominate Italian Banking — 34

The Bank of Amsterdam Innovates Coinage — 34

East India Trading Company Innovates Convergence and Logistics — 35

The New York Stock Exchange Innovates Capital Markets — 36

The Federal Reserve Bank: A Payment Clearing System — 36

Big Ideas, Big Impact: Contemporary Fintech Disruptive Thinkers and Practitioners — 38

Sears — 39

FICO: Defining Credit — 40

Visa/Mastercard: Expanding Payment — 41

Apple iPhone: Bringing Everything Together — 41

Non-Bank Payment Systems — 42

Insurtech — 43

Chapter Three

Data-Driven Identification of Undervalued and Overvalued Assets — 45

Value Investing — 45

Data-Driven Baseball — 47

Undervalued and Overvalued Assets in the Financial Services Space — 49

Baseball and Data-Driven Decision Making — 54

Statcast Democratizes Baseball Data — 55

Residential Lending Cost Data — 58

Data as the Fuel that Drives the Real Estate Business — 63

Chapter Four

A Conceptual Treatment of Fintech — 67

Mortgage Banking in History — 69

Convergence and Logistics in Greater Depth — 70

Terms of Transfer — 72

Risk Management — 72

Government Regulation — 73

Payment Technology — 74

A Tale of Two Financial Products — 76

The Complexity of Mortgage Finance — 77

From Consumer Interest in a Mortgage to Application — 78

A Walk Through Digital Transformation of Residential Lending — 80

From Customer Loan Application to Closing — 85

It's Not Just Customer Facing Technology — 87

Begin with the End in Mind: Amazon's Business Model Graphic — 88

Wrap Up — 89

Chapter Five

Demographics Driving Disruptive Forces — 91

Millennials: Rent versus Buy — 92

Millennials Earning College Degrees Earlier — 93

With Age Comes Home Ownership — 94

Downturn in Home Inventories — 95

Homeowners Are Staying Put Longer — 95

Tax Reform Aimed at High-Tax States — 98

The Attack of the NIMBYs and California's Housing Crisis — 98

Credit Needs of "Non-traditional" Borrowers — 99

A Decline in Foreign Buyers of U.S. Real Estate — 100

Final Thoughts on Demographics — 101

Chapter Six

Can Disruption Be Planned and Orchestrated? — 103

- The Fall of the Soviet Union as a Military and Political Power — 104
- Predicting the Future — 106
- Provincial Thinking and Recency Bias — 108
- Yogurt Market Disrupted! Brand Equity Destroyed! — 110
- Motorola and Mobile Communications — 111
- The Business Model Works Until It Doesn't — 113
- Disruptor or Disrupted? — 115
- Dead Men Walking — 115
- The Residential Real Estate Market Coming Transformation — 116
- A Revisit to President Carter's "Malaise" Speech and the 1970s Oil Shocks — 117
- Unintended Consequences of CAFE, Land Use, and Federal Interventions into Real Estate — 120
- Federal Intervention into Real Estate Marketplace — 124
- Cost Impact of Mortgage Regulation — 125
- Today's Real Estate Market — 128

Chapter Seven

Boot Camp for Disruption: A Disruptor's Guide to Innovation — 131

- Company DNA — 132
- An Early Example of Pre-Planned Disruption: Lockheed's Skunk Works — 133
- Diversity and Inclusion as Elements of Thought Leadership — 134
- Another Preplanned Disruption: North American P-51 Mustang — 135
- Disruption with Intention — 138
- A Thesis on Creative Destruction and Disruption in the Real Estate Business — 140

Chapter Eight

A Disciplined Approach to Intentional Disruption — 143

- The Skyline of a Home Purchase — 144
- A Look Back at Stock Trading in the 1960s — 145
- Intentional Disruption by Company DNA — 147
- Recency Bias at Work — 148
- Reducing Availability Heuristic — 150
- Scenario Magic Wandering — 152
- Kennedy's 1962 "Travel to the Moon and Return Safely" Speech — 153
- Small Steps — 154
- EA00 — 154

Begin with the End in Mind: An Example —	155
Recap of a Disciplined Approach Intentional Disruption —	157

Chapter Nine

Your Margin Is My Opportunity — 159

Frictional Labor and Overhead in Intermediation Activities —	159
The First Real Estate “iBuyer” —	165
iBuyer Defined —	167
iBuyers for the General Public —	168
iBuying as Disruptors —	171
The History of Traditional Real Estate Brokerages —	173
Reversing the Flow of Customer Leads —	174
Brutal Competition for the Residential Home Buying Customer —	175
Hybrid Real Estate Brokerage Models —	176
A View from Integrated One-Stop Providers —	179
Banks May Become More Formidable Competitors —	180
Opportunities in Mortgage Servicing and Origination Recapture —	181
Regulation of the Residential Real Estate and Related Financial Services Market —	183

Chapter Ten

The Disruptive Path Forward — 187

Why Fintech Will Create a Wave of Innovation —	188
Real Estate and Lending Industry Commissioned Jobs: Value Versus Compensation —	189
Real Estate Brokerage Litigation —	190
Convenience Versus Price —	192
Disruptive Scenarios —	193
Convergence, Logistics, and the New Skyline —	203

Appendix 1

The Mavericks — 205

Appendix 2

Financial Crises 1775 to 2010 — 217

Index — 231