



### The “Uber Effect” - How will it affect you?...

Uber launched its business model as a ride-sharing company. Instead of the tried and true practice of calling for a cab, Uber implemented a technology-based interface allowing someone needing a ride to connect with another willing to offer that ride, for a fee, of course. The “connection” interface is the ubiquitous cell phone that we all seem to carry around with us every day. Unlike the highly regulated taxi industry, this web-based creation, allows a connection between the ride-seeker with a private driver, unaffiliated with the traditional taxi model.

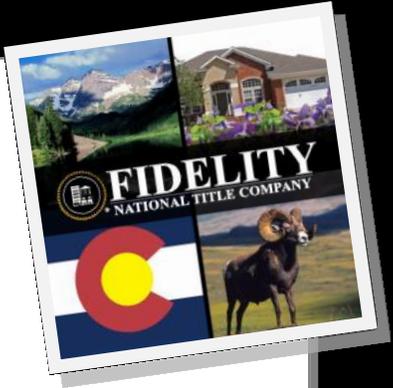
In just the past twelve months, there has been extensive news coverage, throughout the United States and in other countries across the globe, about the impact Uber has had upon the operation of the traditional taxi model. This ‘Uber Effect’ has challenged the taxi industry, as well as the various jurisdictions which have routinely regulated it. Descriptions used to characterize the effect include those such as, ‘disrupting’, ‘up-ending’ and ‘changing the paradigm’ of traditional business models.

Beyond ride-sharing, this ‘Uber Effect’ has intruded upon other areas of activity such as those serviced by a company known as Airbnb. Under this platform, using a technology interface much like Uber, the Company connects owners of real estate with prospective short term rental guests, who may wish to visit a particular location, preferring to utilize private accommodations, rather than more conventional hotel or motel arrangements. The benefit to the guests include lower costs without hotel or tourist taxes, and to the owner of the real estate, a source of revenue not previously easy to access.

Another emerging area where the ‘Uber Effect’ is being examined as capable of ‘disrupting the industry’, is in commercial trucking operations. In these operations, one of the challenges for truckers is the ability to connect with both long and short haul sources of freight, so they can avoid making the return trip from a delivery with an empty truck. Like Uber ride-sharing, the technology being developed offers a web-based platform capable of connecting truckers with customers in need of freight transport. Unlike the traditional, intermediary freight brokers, this model connects the trucker with the end user directly, through the interface.

For the purposes of this Newsletter, the term ‘Uber Effect’ is intended to mean the concept of providing a more or less direct connection between the customer seeking a particular good or service, and the provider of that good or service. The impact of that connection, of course, is often the elimination of what might be considered ‘middlemen’ in the transaction. As a result, there are often efficiencies in time and reduced costs arising out of the ‘direct connection’.

It does not take much of a curious mind to start wondering how the extension of the ‘Uber Effect’ into other areas of business, such as transactional real estate and mortgage lending, might come to affect the more established practices. Will, for example, this model disrupt or up-end the traditional disciplines with which real estate agents and lenders have become so comfortable?



Consider, for example, how differently a typical buyer engages in the marketplace in 2015, as opposed to say, 1990. Rather than seeking out the real estate agent to determine what is on the market, an ever increasing percentage of buyers turn first to the internet, with its multiple search engines, to see what is available for purchase. Pictures, virtual tours, and all manner of information are now directly available from the buyer's smartphone, without ever engaging in any way with a real estate agent. This trend started well in advance of 'Uber' and has given access to virtually everyone who previously would have had to contact the real estate agent for information then considered proprietary to them, through multiple listing services and the like. Where will this trend lead when other 'connections' between buyers and sellers might be possible through a 'Uber-like' interface?

What effect will this new trend have, for example, on residential lending? Under current models, while information about interest rates and sources of funds are readily available on-line, the actual process of securing a mortgage loan is more and more documentation intensive and difficult to navigate, due to increased government regulations mandated during the aftermath of the financial downturn. Why couldn't the process of obtaining a mortgage become much more streamlined than it is currently? Why couldn't technology interfaces facilitate the connection between the consumer and the source of funds, in ways that are much more 'Uber-like' than what we all are experiencing today?

Old school, established business participants will frequently object that you cannot do this or that due to the regulations needed to protect the consumer; or that their particular expertise or experience is needed to see the transaction through to its end. In many areas of the world Uber has met this regulatory and establishment objection head on, and is actively challenging the status quo. When more people become accustomed to utilizing ride sharing services, Airbnb or VRBO vacation rental services, finding them to be improved alternatives to established practices, there may well be a renewed effort to question the very regulatory environment we know, forcing it to consider the benefits of more efficient practices... For those of us who remember calling the local travel agent to book a flight from Denver to San Francisco, consider how different it is to go on-line and book that same flight with a few clicks of a mouse. **Consider, if you will, how the 'Uber Effect' will affect you in years to come.**



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