**Product & Transaction Description**

**Business Name**: HomeSlice

**Product/ Service Idea**:

Home equity marketplace.

Home ownership and real estate investing is difficult, especially depending on where you live/what you do. That said, HomeSlice creates a marketplace that’s friendly to small capital investors looking to diversify into real estate, but not having the funds or the will (at the moment) to make the 20% down payment commitment on a home. HomeSlice opens the door to purchase equity shares (%’s) of another persons’ home equity.

The home equity shares can appreciate or depreciate over time, so there is significant investment risk.

For the homeowner, this is an easy way to tap into cash quickly without the burden of monthly principle and interest payments.

**Special Benefits**:

First of it’s kind home equity marketplace connecting cash strapped homeowners to the general investing public. The platform is designed to be incredibly accessible and easy to use across all touch points (desktop, mobile, and other devices).

**Unique Features:**

Unlike traditional financial products, HomeSlice enables homeowners to get cash in days, not weeks or months. Investors are able to browse (in real time) open investment opportunities on our easy to use web-based application.

**Limits and Liabilities**:

The investable portion of a home will never exceed 30% of the value of the home. This threshold will be built into our algorithm and we will have flags tracking investments, should they appreciate and breach the 30% threshold.

There is significant liability associated with any real estate investment, that is no different for investments on HomeSlice. There will be enough data points in order to inform good investment decisions and HomeSlice’s algorithm’s will risk adjust properties to mitigate chances of material loss.

Contract law concerns, Bank dealings, and credit risk also present liability.

Contract Considerations:

* Must include language asserting the homeowner will remain current on their mortgage (i.e. signed and delivered to Lender). Any lapse or delinquencies could qualify as a breach.
* HomeSlice reserves the right to transfer the home equity share (%) to market participants willing to pay market value or higher
* The homeowner shall not have any liens against the home
* No debt owed to HomeSlice upon liquidation of property executed via foreclosure or similar forfeiture
* Need to market to Banks/Lenders’ interests as well, not allowing them to think they will somehow not be able to collect on their existing credit obligations (below snippet from sample Deed of Trust [MD])
  + If all or any part of the Property or any Interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender’s prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. (per CFPB example, section 18) - potential loop
  + Protect Lenders interest in the property

**Production and Delivery**:

Transaction flow = Homeowner 🡪 HomeSlice 🡪 Investors

Transfer of ownership will be executed via signed contract between homeowner and HomeSlice, for the predetermined cash value/home equity percentage. The contract agreement and the connection between homeowner and HomeSlice will all occur and exist on the HomeSlice platform.

HomeSlice will provide the initial cash to homeowners after an application is completed, and a credit and lien check is performed. Once the transaction is completed, HomeSlice will in turn, list the home equity share on the investment platform, opening the opportunity to the market or keep on the investment on the books.

Homeowners and Investors alike will create log in credentials and be able to track performance and investment values via dashboard within the application.

**Intellectual Property Special Permits**:

We will need to credit Zillow for API call which retrieves the ‘base’ market value of the home (“Zestimate”). This service will become a paid service once the number of daily API calls is exceeded.

The HomeSlice risk algorithm is proprietary where we use the Zestimate as the starting point and risk adjust the home’s value using a variety of data points including historical home sales prices, crime data, and other macro data points relevant to the property’s zip code.

**Product/Service Description**:

Transaction structure:

The transaction is not a Home Equity Line of Credit. There will be no principle and interest payments attached to the contract between the homeowner and HomeSlice.

Transaction Example:

Assumption: Homeowner owns 100% of the home outright, mortgage paid off.

Considerations: Using small dollar amounts to best illustrate the transaction.

Homeowner comes to the site and inputs the address of his/her home. The HomeSlice platform leverages the Zillow API (Zestimate) and our algorithm uses that figure as the basis of the ‘Risk Adjusted Home Value’ calculation, the result of which is then presented to the homeowner as the amount of cash they may be able to receive in exchange for up to 30% of their home’s value.

Upon entering the address, HomeSlice notes the home is worth $100 and our risk algorithm denotes a max cash value available today of $30. The homeowner agrees to move forward and completes a HomeSlice application which includes a variety of personal information including legal name, mailing address, SSN, mortgage information (origination date, principle amount, interest rate, term, etc.), and more. Using the information provided by the borrower, HomeSlice will perform a credit risk analysis to determine whether the homeowner is qualified to enter into this transaction. Generally speaking, a qualified homeowner will have significant equity in their home, be current on their mortgage, have no liens against the property, and have an above average credit score.

Assuming the homeowner is deemed qualified, HomeSlice will move forward with the transaction and within minutes of credit risk analysis completion, a final cash offer will be made to the homeowner. The final cash offer may differ from the original cash available amount depending on the result of the credit risk analysis. The Contract documents will then be drafted by HomeSlice and presented to the homeowner for e-signature.

Let’s assume the agreement is reached for $1 in exchange for 1% of the home equity.

Upon signing, the homeowners transaction will be processed and funds remitted.

At this point, HomeSlice retains ownership of the agreed upon 1% of home equity worth $1 on Day 1. Most commonly, HomeSlice will turn around and list the Home Equity share on the investment marketplace/platform at a small premium.

Investor ABC (“ABC”) finds the home listed on the platform for $1.50 ($1 cost basis, $0.50 premium), has $1.50 ready to invest and is willing to shell out in exchange for 1% of the home’s equity. HomeSlice accepts the offer and the transaction moves forward. HomeSlice turns a 50% profit ($0.50) and ABC now owns 1% of the home’s equity.

Fast forward 5yrs and the home’s value grows to $250 and ABC’s 1% ($1.50 cost basis) is now worth $2.50, a net unrealized gain of $1.00 or 67%. ABC can either hold this investment or sell the slice to another investor willing to pay market value ($2.50 for the 1% share). For this example, investor ABC elects to hold on to the investment.

The homeowner is now ready to sell the home, noting the home has appreciated significantly in recent years. With that, the home is listed and sold for $250. Upon sale and per the HomeSlice investment contract agreement ABC is remitted the initial investment plus the $1.00 profit and takes a walk. The contract expires upon sale/liquidation.

**Target Market/Customer**:

An addressable market exists between those who live paycheck to paycheck (approximately [78% of Americans in 2019](https://www.forbes.com/sites/zackfriedman/2019/01/11/live-paycheck-to-paycheck-government-shutdown/#7e6775c44f10)) and those who own a home (approximately [65% of Americans in 2019](https://www.statista.com/statistics/184902/homeownership-rate-in-the-us-since-2003/)).

This swath of Americans represent HomeSlice’s target market.