Digital Banking

* Banno
* Alkami
* Q2Ebanking

Personal Identification providers

* Mantle
* Grow
* Jack Henry

FUNDRISE

## **The Fundrise Story**

Historically, real estate has proven to be one of the best-performing investment classes.

As real estate investors ourselves, we spent years investing through the traditional approach, only to see much of the profits from those investments eaten up by inefficiency, unnecessary overhead, and middlemen who added little value.

Fed up with the old way of doing things, we started Fundrise with the simple idea to use technology to redefine how people invested in real estate — lowering the costs, improving the quality, and broadening the access.

We faced our fair share of skeptics, including industry professionals who told us that our idea was impossible. Turns out, they were wrong.

After nearly a year of working through audits and multiple filings with the SEC, we launched our first online investment offering in 2012. Then we did it again and again. Eventually, we built an entirely new system, outside the conventional industry, and in doing so eliminated the high costs and poor incentives that had become the status quo.

Today, there are more than 500,000 members of Fundrise, and we’ve invested in nearly $2 billion worth of real estate across the country.

The idea is simple yet powerful. Take a high quality investment class and make it available to anyone through one simple, efficient, and transparent platform. At Fundrise, we put our investors first, period.

Welcome to the future of investing.

FUNDRISE

## Overview and Origin

Fundrise was founded in 2010 by brothers Ben and Dan Miller and launched in 2012 before the passing of the [JOBS Act](https://en.wikipedia.org/wiki/Jumpstart_Our_Business_Startups_Act), which enacted securities regulation to streamline the process of [equity crowdfunding](https://en.wikipedia.org/wiki/Equity_crowdfunding) in the United States.[[4]](https://en.wikipedia.org/wiki/Fundrise#cite_note-NYCrowdfund31-4) Their father, Herb Miller of Western Development Corp., developed 20 million square feet of real estate based in [Washington, D.C.](https://en.wikipedia.org/wiki/Washington,_D.C.) Ben Miller worked as President of Western Development Corp. and Managing Partner of WestMill Capital Partners prior to Fundrise. Prior to Fundrise, Dan Miller worked for Western Development Corp. and also as Managing Partner of WestMill Capital Partners. The brothers founded the company with the idea to allow residents in the D.C. area to invest in real estate development projects they were building.[[3]](https://en.wikipedia.org/wiki/Fundrise#cite_note-WSJReastateGage-3) Fundrise's first project, Maketto, in the [H Street NE Corridor](https://en.wikipedia.org/wiki/H_Street) in Washington D.C. raised $325,000 from 175 investors, where any resident of D.C. or Virginia could invest for as little as $100, making it the first crowdfunded real estate project in the United States.[[3]](https://en.wikipedia.org/wiki/Fundrise#cite_note-WSJReastateGage-3)[[5]](https://en.wikipedia.org/wiki/Fundrise#cite_note-CFundInsider38-5)

Fundrise was selected for the Forbes Fintech 50 list in 2015, 2016, 2017, and 2019.[[23]](https://en.wikipedia.org/wiki/Fundrise#cite_note-23)[[24]](https://en.wikipedia.org/wiki/Fundrise#cite_note-24)[[25]](https://en.wikipedia.org/wiki/Fundrise#cite_note-25)[[26]](https://en.wikipedia.org/wiki/Fundrise#cite_note-26) In 2018, Fundrise placed position 35 overall and position 1 in the financial services industry on the Inc. 5000 list.[[27]](https://en.wikipedia.org/wiki/Fundrise#cite_note-27)

\* Name of company

Fundrise

\* When was the company incorporated?

founded in 2010

\* Who are the founders of the company?

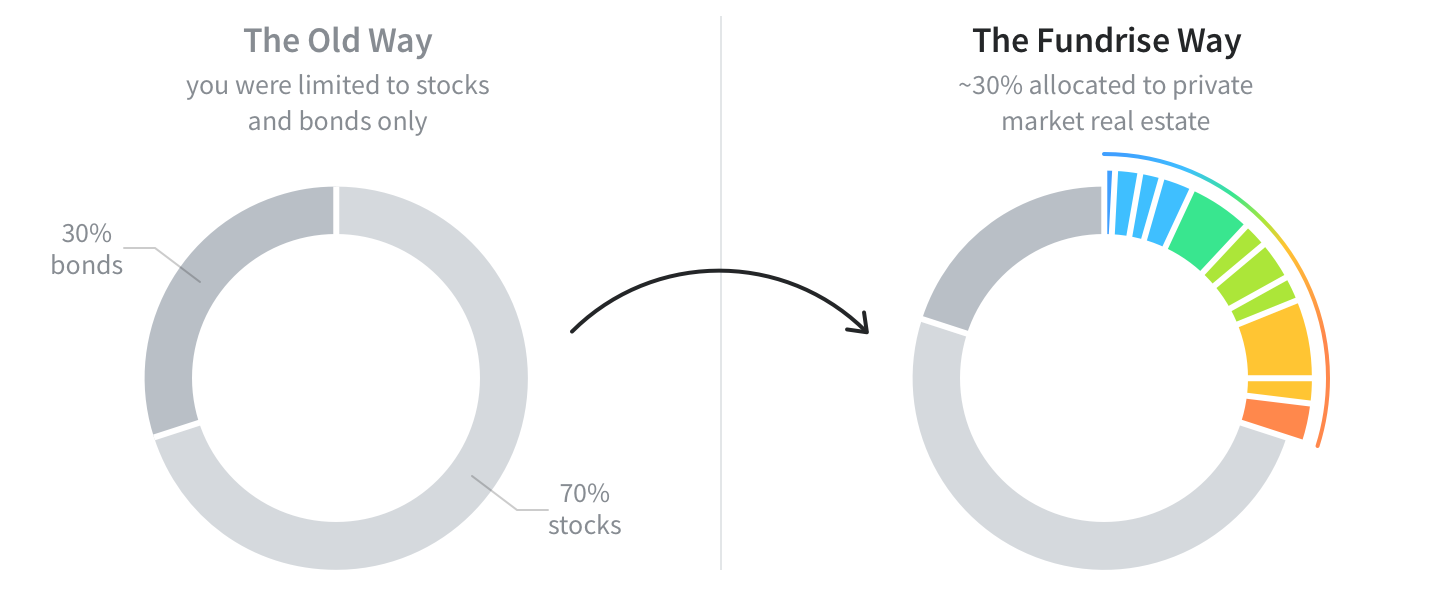
brothers Ben and Dan Miller

\* How did the idea for the company (or project) come about?

The brothers founded the company with the idea to allow residents in the D.C. area to invest in real estate development projects they were building

## Why We Started Fundrise

We started [Fundrise](https://fundrise.com/start-investing) because we knew there was a better way to invest, but that the majority of investors couldn’t get access to private investment alternatives. By building the first private market, direct investment platform, we’ve now made it possible for the everyday investor to have a portfolio like the most sophisticated, multi-billion dollar investment funds.



By combining technology with new federal regulations, [Fundrise](https://fundrise.com/start-investing) brings the once-unattainable world of private investments directly to to you for as little as [$500](https://fundrise.com/start-investing). Technology has changed almost every aspect of our lives in the 21st century, it’s about time your investments caught up.

\* How is the company funded? How much funding have they received?

By May 2014 the company reported to have facilitated $15 million in investments involving 1,000+ investors.[[4]](https://en.wikipedia.org/wiki/Fundrise#cite_note-NYCrowdfund31-4) One of Fundrise's most publicized investments came in January 2015 when it began offering bonds for the construction of [3 World Trade Center](https://en.wikipedia.org/wiki/Three_World_Trade_Center), the location of the third tallest tower at the site of the [World Trade Center](https://en.wikipedia.org/wiki/World_Trade_Center_site) in lower [Manhattan](https://en.wikipedia.org/wiki/Manhattan).[[7]](https://en.wikipedia.org/wiki/Fundrise#cite_note-NYDN3WTC-7) The initial offering was for $2 million of the $5 million worth of bonds purchased by Fundrise for the financing of the $1 billion project. Bonds were offered for $5,000 each with a 5% tax-free gross annual return for five years.[[7]](https://en.wikipedia.org/wiki/Fundrise#cite_note-NYDN3WTC-7)[[8]](https://en.wikipedia.org/wiki/Fundrise#cite_note-8)

Fundrise also raised more capital in its first-round of Series A investment than any other crowdfunding company, totaling $38 million.[[5]](https://en.wikipedia.org/wiki/Fundrise#cite_note-CFundInsider38-5) Funding was led by Chinese [social networking company](https://en.wikipedia.org/wiki/Social_networking_service) [Renren](https://en.wikipedia.org/wiki/Renren" \o "Renren) who invested $31 million of the total $38 million.[[9]](https://en.wikipedia.org/wiki/Fundrise#cite_note-ChineseInvest-9) Additional Series A investors include [Guggenheim Partners](https://en.wikipedia.org/wiki/Guggenheim_Partners), Justin Elghanayan of [Rockrose Development Corporation](https://en.wikipedia.org/wiki/Rockrose_Development_Corporation), and James Ratner of [Forest City Enterprises](https://en.wikipedia.org/wiki/Forest_City_Enterprises).[[3]](https://en.wikipedia.org/wiki/Fundrise#cite_note-WSJReastateGage-3) By February 2015, Fundrise had commitments from six institutional investors for an additional $100 million in investment into the company's real estate offerings.[[10]](https://en.wikipedia.org/wiki/Fundrise#cite_note-10) In October 2015, co-founder and president Daniel Miller left the company.

In February 2016, Fundrise terminated its senior accountant for allegedly attempting to extort over $1 million from the enterprise over a claim that "the company acted inappropriately concerning two real estate deals." The accountant denied the allegations of extortion and claimed that the termination was retaliation for reporting "serious fraudulant behavior." [[11]](https://en.wikipedia.org/wiki/Fundrise#cite_note-11) The company denied the claims and hired an outside audit firm to conduct an investigation into the allegations, which ultimately concluded there was no reasonable basis to the allegations.

Capital Raised

As of January 20, 2020, we have raised approximately $59.7 million in our previous offering pursuant to our Offering Statement that was qualified on January 31, 2017 (2,000,000 shares of Class B Common Stock) and subsequent post-qualification amendments that were qualified on February 15, 2017 (1,000,000 shares), July 28, 2017 (2,000,000 shares) and August 22, 2018 (5,000,000 shares). The total number of shares of our Class B Common Stock that were qualified in our prior offering was 10,000,000, which were offered and sold at varying prices as set forth below and resulted in aggregate sales, as of January 20, 2020, of 9,237,653 Class B common shares with gross proceeds of approximately $59.7 million. We refer to the information below collectively as the “Prior Offering Results”

(Captured table snabshot from SEC filing)

## Business Activities:

\* What specific financial problem is the company or project trying to solve?

Control by Institutional Funds Creates Inefficiencies and Distortions in Commercial Real Estate Markets. We believe that institutional dominance of the commercial real estate capital markets have created several key inefficiencies and distortions:

1) Individual investors lack the size and market power to access quality real estate investments and therefore must rely on accessing investments through institutional channels. Over time, the control and market-making power enjoyed by traditional institutional players has allowed them to impose excessively large fees, overhead, and profit sharing interests. The result is the individual investor receiving a disproportionately small share of profits generated by the underlying real estate assets.

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2) Institutional funds operate a model that is heavily dependent on manual processes. This results in high overhead and fixed costs. As a result, institutional funds tend to focus on large transactions in an effort to generate maximum profits relative to a fixed amount of work. This focus on only large transactions distorts the natural demand for these assets, increasing competition, and driving down returns. This further results in the individual, non-institutional investors receiving a lower relative risk-adjusted return.

3) The excess demand for large assets results in lower supply of capital to small-to-medium sized operators and small balance commercial real estate assets. This inefficiency created by a lack of investors in the space, allows for opportunities to receive a better relative risk-adjusted return.

x Retail investors have limited opportunity to invest in private real estate without paying a heavy fee load. The non-traded REIT industry has seen enormous growth in the past 5 years, raising up to $15 billion a year, according to the Investment Program Association. This success was achieved despite an outdated distribution model dominated by armies of brokers (which are often affiliated with the non-traded REIT raising capital) that charge up-front fee loads of as much as 15% to 20% on each investment – some of the highest loads across the entire financial industry. We believe that a lower cost alternative, such as the Programs we sponsor, available through a convenient and direct online platform, would offer compelling competition in the marketplace.

\* Who is the company's intended customer?  Is there any information about the market size of this set of customers?

What solution does this company offer that their competitors do not or cannot offer? (What is the unfair advantage they utilize?)

Our Solution

We own and operate the Fundrise Platform, a leading online, direct investment technology platform located at www.fundrise.com. We believe technologypowered investment is a more efficient mechanism than the conventional financial system to invest in real estate and other assets. Enabled by our proprietary technology, we aggregate thousands of individuals from across the country to create the scale of an institutional investor without the high fees and overhead typical of the old-fashioned investment business. Individuals can invest through the Fundrise Platform at ultra-low costs for what we believe is a more transparent, web-based experience. Investors use the Fundrise Platform to potentially earn attractive risk-adjusted returns from asset classes that have generally been closed to many investors and only available to high net worth investors and institutions.

By combining sound investment principles with our proprietary web-based technology, we believe we have built a solution that will transform how the real estate capital markets operate, increasing their efficiency and transparency. Our model is built specifically to leverage the economies of scale created by the Internet to cut out excessive fees, while also lowering execution costs and reducing both time and manual resources.

**eREIT launch**[[edit](https://en.wikipedia.org/w/index.php?title=Fundrise&action=edit&section=3)]

On December 3, 2015, Fundrise launched the Fundrise Real Estate Investment Trust, the world's first "[eREIT](https://fundrise.com/education/faq" \l "item504/)" or online [real estate investment trust](https://en.wikipedia.org/wiki/Real_estate_investment_trust) with an initial offering of $50 million pursuant to [Regulation A+](https://en.wikipedia.org/wiki/Regulation_A).[[16]](https://en.wikipedia.org/wiki/Fundrise#cite_note-16)

The Fundrise eREIT offering provides prospective investors with the opportunity to invest in an intended portfolio of properties across the United States for a minimum of $1000. The aim of the eREIT is to use new technology to give both [accredited](https://en.wikipedia.org/wiki/Accredited_investor) and unaccredited investors the option to invest in US real estate. This financial offering, the first of its kind, was made possible by the expansion of Regulation A under the [JOBS Act](https://en.wikipedia.org/wiki/JOBS_Act).[[*citation needed*](https://en.wikipedia.org/wiki/Wikipedia:Citation_needed)][[17]](https://en.wikipedia.org/wiki/Fundrise#cite_note-17)

The company subsequently opened a second eREIT™, the Fundrise Equity REIT™, in February 2016.[[12]](https://en.wikipedia.org/wiki/Fundrise#cite_note-:0-12)

In December 2016, the Fundrise Income eREIT was the first company to raise $50 million, the maximum amount allowed under Regulation A. Later in December 2016, the Fundrise Growth eREIT became the second ever issuer to raise $50 million pursuant to Regulation A.[[18]](https://en.wikipedia.org/wiki/Fundrise#cite_note-18)

**eFund launch**[[edit](https://en.wikipedia.org/w/index.php?title=Fundrise&action=edit&section=4)]

In June 2017, Fundrise announced the eFund, a diversified portfolio of for-sale housing in major US cities.[[19]](https://en.wikipedia.org/wiki/Fundrise#cite_note-19) The first eFund was the Los Angeles eFund, with an initial offering of $50 million under Regulation A+.[[20]](https://en.wikipedia.org/wiki/Fundrise#cite_note-20) In conjunction with the eFund launch, Fundrise introduced a goal-based investing and an advisory service.[[21]](https://en.wikipedia.org/wiki/Fundrise#cite_note-21)

**Amazon HQ2**[[edit](https://en.wikipedia.org/w/index.php?title=Fundrise&action=edit&section=5)]

In 2018, Fundrise announced that it had acquired thirty residential properties in the [Washington, DC](https://en.wikipedia.org/wiki/Washington,_D.C.) area in anticipation of [Amazon's HQ2](https://en.wikipedia.org/wiki/Amazon_HQ2) announcement. Fundrise is establishing the HQ2 DC eFund, to invest as much as $50M in residential properties throughout Washington, DC.[[22]](https://en.wikipedia.org/wiki/Fundrise#cite_note-22)

\* Which technologies are they currently using, and how are they implementing them? (This may take a little bit of sleuthing–– you may want to search the company’s engineering blog or use sites like Stackshare to find this information.)

Fundrise uses Java, Amazon CloudFront, Google Analytics, Mixpanel, G Suite and AdRoll for its technology.

[Fundrise](https://fundrise.com/start-investing) leverages new technology to allow every investor to upgrade to an advanced portfolio. We have gone back to the drawing board to rethink the way individuals invest their money. Our updated take on portfolio theory, [Modern Portfolio Theory 2.0](https://d10cq78zmnjvsx.cloudfront.net/website-documents/MPT+White+Paper--Smaller+Logo+Version.pdf), diversifies investors into higher-return-potential private market investments similar to the portfolio models used by major institutional investors.

## Landscape:

\* What domain of the financial industry is the company in?

Alternative Investment – Real Estate

\* What have been the major trends and innovations of this domain over the last 5-10 years?

We believe we are participating in and driving the third wave of a paradigm shift in the financial industry similar to the invention of and move to online brokerages and online payment systems that occurred in the late 1990s and 2000s, and the “marketplace lending” and automated registered investment advisor movements in the 2000s and 2010s.

We believe that the first wave of this paradigm was from physical brokerages to online brokerages, such as E\*TRADE Financial Corp., TD Ameritrade Corp., and Charles Schwab Corp. According to each of their Quarterly Reports on Form 10-Q for fiscal period ended March 31, 2019, E\*TRADE Financial Corp., TD Ameritrade Corp., and Charles Schwab Corp. have grown their customer bases to 7,057,000, 11,763,000, and 11,787,000 accounts, respectively, with $593.0 billion, $1,297.1 billion, $3,5856.40 billion in client assets, respectively.

We believe the second wave of this paradigm shift is represented by technology-driven asset management companies such automated registered investment advisors, such as Wealthfront Inc. and Betterment, LLC. In addition, according to their Forms ADV, dated January 18, 2019 and May 23, 2019, respectively, Wealthfront Inc. and Betterment, LLC have grown their assets under management to approximately $11.5 billion (with approximately 281,000 accounts) and $16.4 billion (with approximately 542,000 accounts), respectively.

However, unlike online brokerage platforms, online payment processors, marketplace lending platforms, or automated registered investment advisors, we are focused on sponsoring and directly offering to investors (without the costs associated with such intermediaries), alternative investments, in particular real estate, which, according to a Prequin report as of the end of 2017, as an asset class (defined as real estate, private equity and hedge funds) hit a record high of $8.8 trillion in 2017 and was forecast to grow to $14 trillion by 2023.

\* What are the other major companies in this domain?

## Results

\* What has been the business impact of this company so far?

\* What are some of the core metrics that companies in this domain use to measure success? How is your company performing, based on these metrics?

\* How is your company performing relative to competitors in the same domain?

## Recommendations

\* If you were to advise the company, what products or services would you suggest they offer? (This could be something that a competitor offers, or use your imagination!)

\* Why do you think that offering this product or service would benefit the company?

\* What technologies would this additional product or service utilize?

\* Why are these technologies appropriate for your solution?

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So here are my concerns about Fundrise investments. This is not to say that you should not invest with them, but just to give you a more full picture of what to expect:

1. Fundrise's funds charge a 1% management fee. Again, this is not "bad" but it is more than you'd be paying with alternative REIT ETF.
2. Very risky, so you need a long term outlook (like, don't expect to touch this money for **at least** 5 years)
3. Sometimes the funds are sold at costs greater than the value of the underlying real estate assets, so you could be theoretically "underwater" on your investment immediately.
4. Other, undisclosed, fees associated with the fund buying or selling properties along with manager fees are unpredictable, often >1% of assets, and will eat into your returns
5. Real Estate is a stable long-term investment, but it historically has under-performed US equities. Be sure you are appropriately diversified and that a real estate portfolio is not too large of your total investable assets, otherwise you may be shooting yourself in the foot.
6. Realize that you are trusting these fund managers with your money. If they make bad real estate investment choices, they run the risk of bankruptcy and you losing everything (the same way as if you invested in stocks).
7. Illiquidity means that you are not able to buy and sell (at least, not without incurring very high fees) the same way you may be used to in the stock market. Goes back to the long-term outlook, don't expect to touch, pull, or otherwise rearrange these investments for a long time.

That's not to scare you away from the platform, but just provide my (limited) insights. I have not used the platform myself but I know it is a safe investment vehicle (in terms of it doing what it says it will do) for REIT investments. However, I prefer to get real estate exposure through other means because of the fees and illliquidy associated with Fundrise.

I don't have any money invested but I am friendly with a REIT manager that thinks is a great Real Estate product for non-qualified investors as long as the investors time horizon is 5+ years. There is no aftermarket for Fundrise shares as far as I know, so there are only a few opportunities a year to liquidate your investment.

I've been with them for 1.5 years and my total return (capital + dividends) has been 11%. They regularly pay out dividends straight to my bank account.

level 2

[ProProgrammerSMA](https://www.reddit.com/user/ProProgrammerSMA/)

19 points·[2 years ago](https://www.reddit.com/r/fatFIRE/comments/7j6nk0/is_fundrise_a_good_choice_for_passive_income/drbrx48/)

So they underperformed the market at greater risk, lower liquidity, and worse tax status

level 3

[deleted]

2 points·[2 years ago](https://www.reddit.com/r/fatFIRE/comments/7j6nk0/is_fundrise_a_good_choice_for_passive_income/ducgx2s/)

What market? The stock market? How is greater risk?

level 4

[swimfan229](https://www.reddit.com/user/swimfan229/)

1 point·[1 year ago](https://www.reddit.com/r/fatFIRE/comments/7j6nk0/is_fundrise_a_good_choice_for_passive_income/dz6yneg/)

Dow Jones Industrial Average: +25.2% S&P 500: +19.7% Nasdaq Composite: +28.2% Russell 2000: +13% Wilshire 5000: +18%

Is what he means. Plus it is less diverse, so you could lose it all, plus with fundrise .... plus less favorable tax implications.

I've been with them for 2.5 years. Overall, I'm very happy with the service and I think it's an excellent vehicle for alternative investment.

Personally, I miss the older days on the platform when accredited individuals could make individual equity & debt investments. I've actually had a few of those from 2 years ago term and return principal + on average about 13% return.

The platform now is more mass market with all available options being some version of commercial real estate REITs. I have found the ability to get a solid understanding of return much weaker in these vehicles. Depending on the fund returns seem between 5% (growth funds with accrued upside) to 8% (more income styled funds).

I like the platform, but less with its new model. I think its worth an allocation of your portfolio but definitely would not go higher than 10%. They are still too young and unproven.

I have been investing with FundRise for 2 years...

**Liquidity**

Traditional REITs are liquid, you can buy and sell shares at will on any exchange, liquidating your entire position in seconds. With Fundrise your position is locked in for extended periods. They advertise monthly redemption periods, where one may liquidate their position, but I have been unable to locate this feature on their website, essentially discouraging its utilization. Albeit I haven't pursued this feature very hard as I entered into the investment understanding the length of my commitment.

**Fees**

Traditional REITs have a standard, easily understandable fee structure. FundRise's fees are more complicated, and articles I have read suggest they may favor FundRise over individual investors. That being said, I don't understand the nuances of FundRise's fee structure and you probably won't either.

**Taxes**

REITs can be purchased in a tax sheltered account. AFAIK, FundRise investments can not be tax sheltered. Additionally, taxes are slightly more complicated with FundRise.

**The Experience**

Fundrise has a beautiful website. You can read about each and every project you are a part of complete with high quality pictures. Whereas a REIT will just be a ticker symbol and a line on a graph. Fundrise makes you really feel like a part owner in each an every property.

**Withdrawing Position**

I am basically unsure exactly how I will ever withdraw my entire position. I receive quarterly dividends that are either reinvested, or deposited into my bank account depending on my DRIP setting. However, I am unsure of exactly how I will liquidate and withdraw my entire position. When projects complete do the proceeds get deposited into my bank account automatically? Are they reinvested based on the DRIP setting? I have no idea. I've written an email to customer support for clarification and was instructed to review the prospectus. I reviewed the prospectus and was still left with the same question.

**Summary**

If you are fiscally secure, and have some funds to play around, sure deposit some into FundRise. I have been receiving regular dividends, and my portfolio continues to grow. That being said the deposit is virtually locked down for years at a time and you can not withdraw it nearly as easy as a traditional REIT. Let's say you were approaching retirement and wanted access to these funds, in FundRise. You would essentially have to plan your exit strategy 5 years in advance. I recently shut off my DRIP with the intention of exiting my FundRise position to target more traditional/liquid assets.

Hope this helps

Companies like Fundrise, RealtyMogul, Compound etc make it easy to set up an account and their investment teams buy, rent and manages the properties -- you just receive the dividends. With these companies you're usually able to interact with the assets more, whether it's with photo, video or an app.

In fund rise to get your principal back you have to put in a redemption request, which is 6 months. Similar to a regular reit, at least in a regular reit you may be able to recover that principal by selling that asset and the timeline in comparison seems to be of fundrise.

level 2

[RotaryPoweredx7](https://www.reddit.com/user/RotaryPoweredx7/)

2 points·[1 year ago](https://www.reddit.com/r/investing/comments/aewuwp/fundrise_vs_regular_reit/edtimvb/)

This is incorrect. You can absolutely get your principal back, but they very clearly state it is not intended to be a short term investment. There is a redemption period every month with 60 day notice where you can withdraw your funds if you need. Link to article: <https://fundrise.com/education/faq#item552>