I'm Corey, co-founder of DeFi Money Market (DMM).

Our team would like to add DMG as a collateral asset and currency. In addition, we think offering the opportunity to stack yield with DMM's stable interest mTokens (6.25%) with AAVE's aTokens could lead to some interesting arbitrage in the DeFi ecosystem.

Why aDMG and amTokens?

DMG and its corresponding mTokens are adding diversification to the DeFi industry by bringing stable and uncorrelated yield in a trust-minimized manner. Our interest-earning protocol is built similar to Compound and AAVE, with the major distinction being that underlying interest payments are made by off-chain service providers whose responsibility is to manage a pool of assets that is being lent.

The DMG token is a fork of COMP, with a couple minor tweaks like a native burn function and more off-chain signature-based functions (like permitting and transferring). The ecosystem is governed by contracts that are controlled by DMG holders. We have moderate liquidity on Uniswap and are in the process of expanding it by leveraging our self-made yield farming / liquidity mining program.

As noted in the proposal for adding AMPL, adding DMG and mTokens to AAVE would enable ecosystem participants to:

- Utilize a new, low-correlated collateral asset which could reduce risk (for mTokens)
- Allow users to stack the yield that is offered by DMM's mTokens and AAVE's aTokens
- Create leveraged DMG and mTokens trades and unlock decentralized derivatives
- Create interest bearing DMG, which can be staked in other protocols
- Increase exposure to DMG & farming

The combination of our ecosystem's unique features that expand DeFi's use-cases to real-world assets and our community should lead to lively market participants from both the DMM & AAVE communities. We envision more collaborations being possible in the future as we roll out decentralized asset introducers via NFTs, expand our yield farming tokens and use-cases, and further upgrade our ecosystem.

Edit: Our BD team went back to a number of questions that surfaced on places like the Maker DAO post and within our community. Most of them were already answered via a FAQ on our Medium. For convenience sake, we merged new questions and content from this Medium post to the governance forum, here.

In your explorer, a value is listed for each underlying asset. It looks like this is the value of the loan, not the vehicle value. Is this correct?

- Yes, the value shown in the DMM Explorer represents the loan value. Keep in mind, the vehicles in these liens are already at the end of the depreciation curve, which is why the value does not fluctuate.

What sort of loan to value ratios do you allow into your underlying loan portfolio? What sort of credit and income underwriting requirements? What is the weighted average interest rate, FICO, DTI, and LTV of the portfolio of underlying assets? If you can point me to any further resources where this information is available that would be appreciated.

- Every asset is evaluated differently and requires an unique examination as to the relevant underwriting criteria. The core basis for this ecosystem is asset-backed lending and we have designed proprietary underwriting criteria based on specific assets and geographic locations. While there is risk surrounding the assets that back the system, the general nature of DMM - the overcollateralization of both the assets backing DMM and the income streams provided - are in place to protect the overall DMM Ecosystem. There have been sufficient steps taken to mitigate risk by keeping the loan-to-value (LTV) ratio well below industry averages. This means that any repossessed assets when sold should recover the principal, plus interest. Additionally, the vehicle-based loan business has typically seen minimal instances of repossession with significant recovery of the loan's principal. To further diversify risk, these loans are distributed across geographic regions in the US and frequently have thousands of borrowers coming in and out of loans. This diversifies risk away from only having a few underlying loans back the system and guarantees fresh liquidity flowing in and out of the ecosystem.

Do you originate the loans yourself, or service and collect on the loans? If not your organization, how is this managed? How do you mitigate the risk of loan contracts being invalidated due to violations of US consumer lending regulations?

- No, the loans are originated by a third-party company. We are listed as a lienholder but collecting payments and managing the entirety of the loan aspects are handled by another company. All loans are done in accordance with regulations depending on the jurisdiction of where the tokenized real-world assets are in.

Auto loans are a fundamentally illiquid asset. How would you be able to meet large redemption requests on short notice if most of your funds are invested in loans?

- The initial backing of DMM is a pool of vehicles (cars, trucks, etc.) located in the United States of America. The reason we chose this as the first asset class is because the core team has deep domain experience spanning several decades in this space, generating income production of between 15% - 20% return over the last 5 years. Additionally, this asset class has several other substantial benefits as a backing for DMM when compared to other real-world assets. Some of these benefits include:

- 76.3% of U.S. workers use a personal vehicle to commute to work.
- Historical trends show consumers pay for vehicles before their real estate or rent.
- Vehicles are one of the most liquid asset classes in the world – there are 2x weekly auctions in every major city where they can be sold for cash on the spot.
- Unlike real estate, there is no long foreclosure process – in the event of lack of payment.
- Rather, the asset can be recovered without additional legal action.
- The asset can be transported for nominal fees to maximize resale value.
- Risk is diversified amongst many individual investments and geographies.
- Shorter term (average one year) provides for greater liquidity.
- The average car age is 5 -9 years old, meaning the majority of the depreciation has

already occurred. Vehicles depreciate 10% - 30% in the first few years of ownership and then depreciation slows substantially. Additionally, the loans are shorter term, so it is unlikely the vehicle will depreciate markedly during the loan's 1-year term.

- All borrowers must complete and provide income verification and prove the ability to repay.
- In most states, in the event a party is not up-to-date on their vehicle payments, a registration hold can be placed on the vehicle. As a result, their license plate cannot be renewed until the owed sums are paid. This prohibits them from legally driving the vehicle until the owed sums are paid in full.


- 76.3% of U.S. workers use a personal vehicle to commute to work.
- Historical trends show consumers pay for vehicles before their real estate or rent.
- Vehicles are one of the most liquid asset classes in the world – there are 2x weekly auctions in every major city where they can be sold for cash on the spot.
- Unlike real estate, there is no long foreclosure process – in the event of lack of payment.
- Rather, the asset can be recovered without additional legal action.
- The asset can be transported for nominal fees to maximize resale value.
- Risk is diversified amongst many individual investments and geographies.
- Shorter term (average one year) provides for greater liquidity.
- The average car age is 5 -9 years old, meaning the majority of the depreciation has

already occurred. Vehicles depreciate 10% - 30% in the first few years of ownership and then depreciation slows substantially. Additionally, the loans are shorter term, so it is unlikely the vehicle will depreciate markedly during the loan's 1-year term.

- All borrowers must complete and provide income verification and prove the ability to repay.
- In most states, in the event a party is not up-to-date on their vehicle payments, a registration hold can be placed on the vehicle. As a result, their license plate cannot be renewed until the owed sums are paid. This prohibits them from legally driving the vehicle until the owed sums are paid in full.


DMM allegedly owns liens on used vehicles in the US (although proper proof has not been provided to the public)

- You can view all of our real-world overcollateralized assets in our DMM Explorer.
- As we continue to add more assets more information and documentation will become available. The DMM Foundation is working in conjunction with its selected and to-be selected global 3rd party platform servicers to establish a first-ever verification blueprint that will periodically act as a secondary confirmation that the DMM Foundation has the necessary contractual rights to the real-world assets represented in the explorer, as previously verified by the servicers.
- As we believe this is the first time this undertaking has been deployed, the DMM Foundation is actively working with its

servicers to develop a standardized protocol that is real-world asset agnostic for secondary confirmation by an unrelated, independent and specialized third-party (to be clear, this third-party is a secondary confirmation and different from the verification performed by the servicers). While the development and establishment of this protocol is being finalized, the DMM Foundation will be conducting a request for quotation amongst different global providers in the legal, rating and business advisory services with a specific decentralized finance focus and implementation.

- Additionally, our team is growing as we continue to add seasoned professionals such as our new Finance Consultant hire who has 9+ years of experience in auditing and assurance services for trade, manufacturing and service companies such as Deloitte.

DMM converts the crypto to USD which is allegedly used solely to service the used car loans, and repurchases the crypto when the user/depositor wants to redeem their mTokens (supposedly on demand)

- The DMM Ecosystem needs to maintain a reserve ratio (which is preserved via on-chain integrity) to prevent a “run on the bank” and ensure that users are able to seamlessly move in and out of the ecosystem. As of right now, the DMMF has moved small amounts of the assets sitting in the smart contracts into fiat. All of the other interest has been paid out by liens already owned by the DMMF, not funds drawn down from the mToken pool.