What is SwapRent℠?

SwapRent℠ is a private (non taxpayer funded) solution to the current mortgage default crisis arranged solely between the lender/investor and the homeowner. SwapRent℠ operates in two ways: in a Peer-to-Peer fashion; or with the lienholder/servicer of the mortgage becoming the temporary investor to avoid foreclosing on the homeowner and incurring an immediate loss.

SwapRent℠ offers a monthly mortgage subsidy payment that gives defaulting homeowners (or those in danger of default), the help they need to avoid foreclosure and retain ownership of their homes. In exchange, the homeowner agrees to give up a percentage of the potential future appreciation of their properties. SwapRent℠ allows the homeowner to choose between economic "ownership" and "renting" of their home for a certain period of time – while keeping legal ownership all the while.

- From the consumer's perspectives, SwapRent℠ is a synthetic version of a "sale and lease back" program (synthetic because it does not require actual transfer of title) – however, it captures the economic benefits of such a program – without the negative associated transactional costs, I.E.- title transfer, taxes or brokerage fees.
- From the investor's perspective, SwapRent℠ enables them to become "synthetic landlords" in the cities of their choice, and to participate in future appreciation on properties – for a smaller investment, with a defined timeline, and with signifi cantly less transactional and maintenance costs than if they were to purchase real estate through traditional methods.

The SwapRent℠ economic subsidy is based on giving up a portion (say 25%, 50% or 75%) of the property's potential increase in value. This is typically determined by the size of the monthly subsidy the homeowner needs. With the AG (Appreciation Give-up) SwapRent℠ contract, the homeowner gives up appreciation potential only – which is tracked and represented by a neighborhood or city property price index (such as the MSA level of the OFHEO HPI) in exchange for receiving the monthly SwapRent℠ subsidy. Alternatively, a DP (Depreciation Protection) SwapRent℠ contract can also be used to protect against a decline in a home's value over the contract period. The "generic" SwapRent℠ contract, and its AG, and DP variants are new consumer finance products that provide a simple way for property owners to protect or leverage the equity value of their homes or commercial properties.

How does a SwapRent℠ contract work?

The three items that homeowners and investors agree on to execute a SwapRent℠ contract are:

1. The home's value, by index or by appraisal method
2. The percentage of appreciation given to the investor
3. The time period (e.g. 1, 2, 5, 10 or 15 years) for the SwapRent℠ contract

Once these items are determined, the amount of the monthly subsidy can be calculated and the contract commences. The subsidy is paid by the investor until the contract runs its course. At that time, the investor's compensation is determined, based on one of the following scenarios:

If the value of the home has increased:

- The homeowner refinances: in a manner that repays the investor and satisfies the SwapRent℠ contract. If necessary, or by choice, the homeowner is free to initiate another SwapRent℠ contract to continue to retain possession of their property at a manageable monthly payment.
- The homeowner sells the house: and pays the SwapRent℠ investor the percentage of appreciation agreed to in the contract. This appreciation will be determined by an independent index. The balance of the mortgage is settled with the bank, and the homeowner pockets the remaining appreciation on the property.

If the value of the home remains the same:

The contract expires, the homeowner retains the subsidies paid over the contract period and nothing is owed to the investor.

If the value of the home declines:

In a "generic" SwapRent℠ contract, the investor is responsible to the homeowner (or the bank, if the bank is used as a middleman) for the previously agreed upon percentage of the loss in value of the property at the end of the contract. If a AG SwapRent℠ contract is used, then the investor will not bear the loss of the depreciation. In the DP SwapRent℠ contract, the investor will be responsible to the bank/homeowner for the previously agreed upon percentage of the loss in value of the property at the time of sale, or refinancing.

SwapRent℠ and its related financial products represent new, creative, and cost-effective tools to accomplish the economic objectives of both homeowners and investors.

For more information visit
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