

REX
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October 5, 2020

Dr. Mark A. Calabria
Director, Federal Housing Finance Agency
Constitution Center
400 7th Street, SW
Washington, D.C. 20219

Re: Strategic Plan 2021 - 2024

Dear Director Calabria:

I applaud your leadership in setting forth a strategic plan for the housing finance market. The plan correctly identifies that competition, transparency, and efficiency are critical components in ensuring that the housing industry continues to serve consumers, particularly those who are struggling with the economic fallout from COVID-19. The goal of this comment is to highlight a crucial element which, although not expressly called out in the strategic plan, is essential to the success of the goals that you propose. I am referring to the consumer-enabling power of technology.

The simple fact is that the incredible advancements digital, information, and communications technologies have brought to industries across the U.S. economy have yet to deliver real wins for housing consumers. I encourage you to advance a framework that addresses the technology gap in housing. And in your capacity as a thought leader, I urge you to direct the public's attention to the powerful ways that technology can transform real estate into a more dynamic and equitable marketplace.

By way of background, I am the co-founder and CEO of REX, the digital real estate platform making homebuying and home management more affordable for all Americans. I founded REX because I saw a flawed residential real estate industry that persisted unchecked and unchanged for decades. The "housing industrial complex," or "HIC" as I call it, is a corpulent dinosaur. Somehow extant in the Digital Cenozoic Era (DCE), the HIC dinosaur can still be seen purposefully and unpurposefully trampling over millions of small consumers every year, while consuming a steady diet of hidden fees and endless paperwork.

Among other things, the HIC makes the search-to-purchase process for homes endlessly complicated and time-consuming. Most consumers independently start their search online, and after completing the difficult task of finding a home, nearly all real estate websites refer users off-platform

to a third-party traditional agent (sometimes, multiple agents) to complete the transaction at a cost of thousands of dollars in home equity. This byzantine routine can take months—an eternity in the digital era—and is replete with myriad vendors each charging commissions along the way.

REX is the alternative to the HIC. Our company is at the forefront of the digital real estate economy, wielding technology to bring down consumer costs and streamlining the convoluted process. Our agents are salaried and incentivized to satisfy customers, rather than to close transactions in pursuit of a fast commission (sometimes with and sometimes without the paramount interest of the consumer in mind). We partner with sellers and buyers from listing to closing. REX helps with escrow, titling, insurance, moving, and storage services, while directly marketing to consumers, using data modeling and machine learning to match sellers and buyers of homes as accurately and speedily as possible. In doing so, we reduce costs for all involved, covering both sides of the transaction with a total seller fee as low as 2%, instead of the traditional 6%.

I am proud to share how our model is working; since our founding in 2015, REX has saved consumers approximately \$26 million in fees. Public data tracking real estate sales shows that \$59 and \$71 billion of savings in 2019 alone would have been possible if the REX model was adopted nationwide.

The new digital real estate economy is powered by access to vast amounts of data that can now be delivered to consumers on their smartphones and mobile devices. Across other industries, access to data has delivered transparency around prices, which is the key to unlocking competition, housing liquidity, and efficiency — all goals in your critical plan.

Regrettably, the HIC has made the transactions to purchase and finance a home a complicated morass of forms and fees. The byzantine and opaque process is apparently built to maximize revenue from the customer. Other sectors of the U.S. economy have been successfully disrupted by platforms that provide genuine price and service transparency. For example, the popular online car retailer Carvana breaks down the cost of a car, showing consumers exactly what they will pay for the vehicle, taxes, shipping, title and registration. Carvana calls out the fact that dealer fees are zero, which is a relevant data point for consumers interested in putting their equity into a car rather than in a dealer's bank account. From insurance to travel, investments to food delivery, innovative platforms over the past two decades have allowed consumers to price compare and choose the best option for them, except for real estate. Similar fee transparency should be included for real estate.

Outside of real estate, the results of digital technology and the information revolution have been transformative. In 1980, the average daily volume of U.S. equities traded was under 45 million shares. Last month, around 10 billion shares of U.S. equities changed hands every day, powered by a dramatic fall in transaction costs as large and small investors alike now pay zero commissions. My company's mission is to bring a zero-commission platform to real estate. This would give Americans the ability to move about the country with a currently unimaginable sense of freedom. Technology can make this vision a reality.

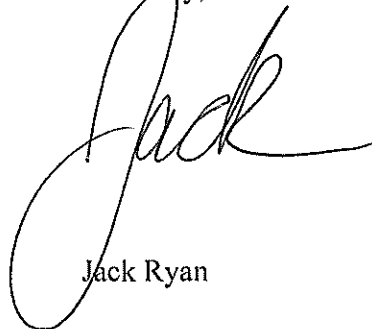
There are practical steps that FHFA can take today to unlock the power of technology. In particular, I encourage you to harness digital technology to make pricing information visible to consumers and FHFA-supervised lenders. Consumers are better off when they know how much of the cost of a new home is going to the home itself versus the brokerages on both sides of the deal. FHFA-backed lenders benefit from knowing how much of the credit extended to a borrower is actually been lent against the underlying value of the home, not the brokerage costs the borrower incurred in buying the home. And taxpayers have a right to know how much of federally-backed mortgages are really secured by an asset (since GSEs cannot recoup the past brokerage costs on a deal that defaults).

Make no mistake: information about brokerage costs and fees already exists — it drives the HIC. We just need those with the keys to unlock the door. When these high fees are visible to consumers, innovation and competition will drive a drastic reduction in the cost of buying and selling homes, while simultaneously improving the portfolios of FHFA-backed lenders by allowing more credit to be deployed against an appreciating asset.

I also encourage you to consider how the digital real estate economy and firms such as REX can be a valuable partner in driving the successful sale of homes in the federal government's portfolio as a result of default. Over the last ten years, taxpayers would have saved over \$1 billion annually if the federal government opened competition around brokerage services associated with home sales in its portfolio. In 2011, the GSEs and HUD sold 354,000 and 82,308 homes respectively. In that year alone, the federal government would have saved over \$2 billion in the form of lower commissions had there been open competition among brokers to sell these assets. Digital platforms like REX are powerful tools for bringing the cost of federal homes down and reducing the federal deficit. Working together, we can help Americans struggling to find affordable housing by providing more options through the consumer-enabling power of technology.

I thank you for your public service and leadership at the FHFA. I am happy to discuss these proposals further with you and your colleagues.

Sincerely,

A handwritten signature in black ink, appearing to read "Jack Ryan". The signature is fluid and cursive, with a large loop at the end of the last name.

Jack Ryan