

QUICK FACTS

Company Name OnisLiving LLC

URL <http://www.onisliving.com>

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Head office New York

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Sister Company OnisVida SRL de CV whose current customers include Infonavit (Latin America's largest mortgage lender) and HSBC Mexico.

Executive summary Banks

Introduction

OnisLiving is transforming the home improvement industry using a proprietary platform that enables banks to provide borrowers with "Home Improvement Performance Assured Loans" (HIPAL) that, apart from providing the finance required to improve their home, also provide a guarantee to the borrower that their home improvement project will be completed to quality and within budget. Our model is tailored to enable banks considerably increase their available lendable funds.

Business Summary

OnisLiving provides homeowner's wanting to remodel their home with contractors that are guaranteed to perform. This is achieved via the use of a 100% performance bond. We also provide contractors with homeowners that are guaranteed to pay. This is achieved via the use of a trust account within the bank where the bank has deposited the homeowner's loan in advance. The bank only pays the contractor upon sign off from the homeowner via our website's project administration platform.

Problem

Banks are currently able only to offer standard Home Equity Loans* (HEL) for home improvement purposes that do not guarantee the performance of the borrower's home improvement project nor do they reduce CREDIT RISK, OPERATING EXPENSES OR LOAN TO VALUE RATIOS NEITHER DO they optimize how long funds are retained by the bank.

Technology platform

The OnisLiving online platform helps all key players administer all aspects of a home improvement project from estimates, contracts & payments to changes, extensions & bonds and much more.

Market

OnisLiving is focused on servicing banks that lend to households carrying out home improvements in metropolitan areas using remodeling professionals (not DIY). US home improvement expenditures accounted for 2.01 % of total spending in the US economy in 1995 and for an almost identical 2.03 % in 2009. Over the coming years, real spending on homeowner improvements is expected to grow at a 3.5 % average annual pace, ensuring that the industry captures a large share of the residential investment market.

Sales/Marketing

Our marketing strategy to initially attract end users is via banks advertising directly to their customers. We believe that by restricting access to our product through banks only end users who want the benefits our model offers will be more inclined to borrow (HIPALS). Over time we believe that this will increase the percentage of the market financed by loans and lead to a host of positive externalities such as a standardized home improvement model and a safer housing market with better quality, more valuable, housing stock.

Business Model

OnisLiving charges a commission on the total value of each project payable by the contractor and taken from the trust account upfront. Due to our volume we can negotiate trade discounts with suppliers (achieved in Mexico) so as to reduce our net cost to the contractor to zero.

The case for why banks should adopt the HIPAL

The “Home Improvement Performance Assured Loan” (HIPAL) is a new type of home equity loan (HEL) invented by OnisLiving that offers a series of benefits to retail banks and mortgage lenders.

Compared to a standard HEL the HIPAL offers the borrower a range of benefits at no extra cost, these include:

- Guaranteed delivery of their project within budget
- Access to vetted, rated, bonded contractors
- Free online project and payment administration platform

A fundamental aspect of the HIPAL is for the borrower to agree to have the bank deposit their loan into a trust account with the bank. Here is how this is assured:

The trust is set up such that as long as the contractor performs they are guaranteed to be paid. In return for this reduction in payment risk the contractor posts a 100% performance bond with an OnisLiving affiliated Surety Co.

The 100% performance bond guarantees that the borrower’s project is completed within budget (as stated in the terms of the HIPAL by the bank).

In return for this reduction in performance risk the borrower agrees for the bank to deposit their loan into the trust account.

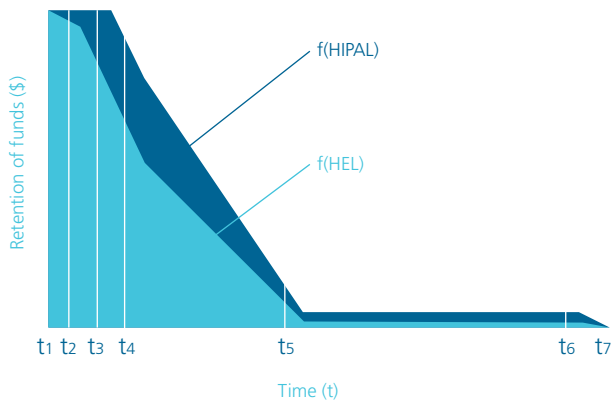
The bank is guaranteed that the borrower will use all of their funds on their home improvement project whilst using an OnisLiving approved contractor who is guaranteed to perform. This has several benefits for the bank:

Conjecture 1 Guaranteeing the use of funds and contractor performance on a home improvement project reduces the likelihood and impact of a default on the bank.

$G (\$_{ub}, C_p)$ reduced (CR, LTV, OpEx)

Formula 1 Increased retention of funds (if HEL).

$$\text{retention} = \int_{t_1}^{t_7} f(\text{HIPAL} - \text{HEL}) dt$$



- **It helps reduce the bank’s credit risk** as a) the integrity of the relationship with the borrower is ensured from the onset b) the homeowner is more likely to repay having spent 100% of the money on their home c) increased Loan to Value ratios boost the homeowner’s equity in the home and protect the impact in the bank if indeed a default actually occurs.
- **It helps reduce the bank’s operational risk** as a) costs are reduced and in some cases eliminated entirely. (For example the bank no longer needs to incur inspector fees) and b) due to reduced credit risk the bank may even be able to lower its bad debt provisions and c) the operation of the trust now generates transaction fees.
- **It helps them increase their lendable funds** as a) The bank is guaranteed that 100% of HIPAL funds are deposited into their bank’s trust account as opposed to having the borrower withdraw them and place them in a higher interest bearing account at another bank as is often the case with a standard HEL and b) the OnisLiving model enables the bank to actually retain deposited funds for longer.
- **It increases the size and quality of their market** as the bank a) attracts more premier clients and b) has the opportunity to service a new market of borrowers: proven, reliable, growing contractors.

¹The trust account is a single “one off” trust account. All borrowers’ funds are deposited into this account ongoing and administered separately using pre-formatted instructions that map projects to borrowers to their funds. This instruction is sent automatically from OnisLiving’s system to the trust periodically (weekly).