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Crowdfunding for Real Estate, Realty Mogul is a Marketplace for Accredited Investors to Pool Money Online and Buy Shares of Pre-Vetted Investment Properties with a Focus on Investor Protection

Financial Investment Properties

Interview with:
Jilliene Helman
CEO



Realty Mogul Co-Founding Team
Jilliene Helman and Justin Hughes

BIO: Jilliene Helman

Jilliene is the CEO and Co-Founder of Realty Mogul. Previously she was a Vice President at Union Bank, where she spent time in Wealth Management, Finance and Risk Management. Jilliene is a Certified Wealth Strategist® and holds a Series 63 license. She brings real estate and finance experience to the team and is incredibly excited to share real estate investing with a broader group of investors. She has a passion for travel and has lived in five countries and speaks three languages. She holds a degree in Business from the McDonough School of Business at Georgetown University.

About Realty Mogul

Realty Mogul is a marketplace for accredited investors to pool money online and buy shares of pre-vetted

investment properties. Realty Mogul is crowdfunding for real estate.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine

CEOCFO: Ms. Helman, what is the concept at Realty Mogul?

Ms. Helman: Realty Mogul is a marketplace for investors to pool money online and buy shares of pre-vetted real estate investments. We allow investors to invest with two different types of transactions. In the first type of transaction we allow investors to invest in loans that are secured by real estate. In the second type of transaction we allow investors to buy equity interests in commercial real estate.

CEOCFO: Has this concept been tried before?

Ms. Helman: The concept has been tried before and the big difference that we see today versus what happened historically is education in the market. You have many major media publications including this one educating the population on this new concept called crowd funding which is the democratization of finance, the ability for investors of all types to participate in new investment opportunities and to participate with a lower dollar amount. Historically you would need \$50,000 or \$100,000 to get access to the types of investments that we are offering to investors and with the ability to use technology we can streamline that process and allow investors to invest for as little as \$5000 dollars. The fact that we have major media publications educating all of our investors on is why this concept

will succeed this time where it did not succeed historically.

CEOCFO: Is there much being done in the way of real estate or is that new for the crowd investor?

Ms. Helman: Real estate is very new for crowd investing. If you look at crowd funding in its origin, I think that Prosper and Lending Club who are peer-to-peer lending companies did crowd funding before it was even called crowd funding. You have not seen many people in the real estate space. We are one of the early pioneers in this space and there are more companies and competitors of ours jumping into it now as they see it as an attractive field. Crowd funding for startups and crowd funding for small businesses really took off well before crowd funding for real estate did.

CEOCFO: What gave you the confidence that it was a good concept?

Ms. Helman: It is an economic opportunity and a political opportunity. From an economic perspective people are looking everywhere for return. Banks are paying less than 1%, we have volatility in the stock market and personally I had family and friends who are looking for returns on their money and current income. Before we even started online we started investing in some real estate notes and working with friends and family to put their money to work. I think it has been a good concept irrespective of the ability to transact online, given today's environment on the economic side where people are looking for current return. One of the big benefits of real estate is that we can actually kick off monthly distributions or quarterly

distributions. One piece of it was economic and the other piece of it was political and it is also tied into as I mentioned earlier, many of these media publications educating the retail investor on crowd funding due to the Jobs Act. We started conceptualizing the company last March in 2012 and in April of 2012 the Jobs Act was passed. While we are not reliant on any of new legislation of the Jobs Act just yet because it has not been finalized through the Securities and Exchange Commission, the political shift created such a whirlwind of PR and media and discussion about it that I think it is the perfect time for this. It is that intersection of an economic opportunity and a political opportunity. It gave us the confidence to start the company.

CEOCFO: Of the two types that you offer is one more popular than the other and is there a particular demographic that favors one way over another way?

Ms. Helman: It is very interesting to us, which is why we decided to offer both sides meaning loans and equity interest. There are some people who really like a loan investment because they are very steady and we pay monthly interest on them. If they are going to make eight percent they can expect to make eight percent albeit there is always risk. On the equity investment there is upside in the appreciation of the property so there is more volatility and more variability in the return. The commonality between the two of them and the commonality behind the Realty Mogul brand is cash flow so even with our equity investments we look to generate cash flow and distributions on a quarterly basis but different investors like different things. We are finding about half are interested in the loans and the other half are interested in the equity.

CEOCFO: What is the demographic; is there a typical investor for you?

Ms. Helman: There is a typical investor. They tend to be between thirty and fifty years old and comfortable doing transactions on the internet. Many of our investors are people who run their own portfolios on etrade or

Scottrade. They are savvy and sophisticated to make their own investment decisions. Some of them do use investment advisors or other investment brokers but others of them really do their own portfolios and are self directed. We find that many of them work for big technology companies such as Google, Yahoo or Facebook, so they are very comfortable with the internet. They are comfortable doing big dollar transactions online which is how we fund many of our investments and how we have streamlined the investment process. The overarching theme across all of our investors is that they are well educated and they know that they want to direct some piece of their own investment portfolio into real estate.

CEOCFO: How do you reach potential investors?

Ms. Helman: Much of our reach to date has been through PR coverage. We have been in a number of different publications. There has been a great deal of interest around crowd funding as a whole and particularly

“The most important thing to us is investor protection.”

- Jilliene Helman

around crowd funding in real estate. We take it upon ourselves to build great relationships with people in the media and build a great product whereby people in the media want to cover us. Another way is through live events and I have spoken at a number of crowd funding events. We just demonstrated at Finovate last week which is one of the largest Fintech conferences. They were in San Francisco last week and there were twelve hundred people there. Much of that group was accredited investors so we reached out to them that way. We also have relationships with self directed IRA companies. We did our first educational webinar last month and are planning a few more in June. Any time we present, we are not out to sell anything; we are out to educate accredited investors on the benefits of real estate investing. Recently we decided internally as a company that we set a goal to educate ten thousand investors on real estate in the next twelve months. That has been an in-

teresting spin of the brand and how we think of ourselves. The culture of the company is very educational. It is just being out in the community and getting ourselves known on a one-by-one basis and building relationships with investors.

CEOCFO: Have you found that people tend to start and then increase their investment with Realty Mogul?

Ms. Helman: It depends on the investor but much of time the investors say they are interested in deploying a couple hundred thousand dollars with us but they are not quite ready to do that yet since we are still a new company. So those are \$5000 or \$10,000. We have seen an incredible amount of repeat investors. We funded our first four debt transactions and a lot of repeat investors there where they do \$20,000 across four transactions, which is great because we want them to diversify. It is all about building trust and reputation.

CEOCFO: Would you tell us about the technology?

Ms. Helman: We have been building technology since April of last year. The user sees same four things across every property. We show property information, investment information including the business plan, management information on the team that we are doing business with and then the financial data. The cross metrics that we show across all those are the estimated annual return, the hold period for the property, the minimum investment for the property and the type of property. For the frontend technology, we make sure metrics being displayed in a way that is coherent across every property. They are very comparable and our investor knows what to expect. The backend functionality which starts to get a little more interesting is a great deal of automation, so the only way that you can run this business with thousands of accredited investors is through technology and through automation. For us that starts with our investor automation which is whether the investors are an accredited investor. We are limited to accredited investors today because of the SEC requirements. An accredited investor

is making over \$200,000 a year in annual income or they have a net worth of over a million dollars excluding the value of their primary home. We built technology to automate decision-making around whether an investor is accredited or not. We ask about things like annual income, net worth, employment data and then certain investor representation and our decision-making engine will make a decision whether that investor is an accredited investor. Other features of the automation are the entire transaction process. An investor can tell us how they want to take ownership of the property whether it is through a retirement account or trust account and also give us their personal information and how much they are interested in investing be it 10,000, 20,000 or 50,000 or more. From there we auto generate documentation that is specific to that individual investor. The documentation will say how much they are going to invest and what their address is as well as how they are taking title of the property. These are pretty lengthy documents with forty plus pages and formal operating agreements and formal subscription agreements like any private placement. The system will auto generate these documents. As soon as those documents are signed we then move on to the funding process. We have integrated what is called ACH whereby we can pull funds almost immediately once the investor gives us their account number and their routing number. The backend lets us keep track of all of these transactions. We know where an investor is in the process at any time and if they have signed documents or funded or if they have funds cleared. They can always keep track of their distributions and which investment it was linked to and

have full overview of their investment metrics at any given time.

CEOCFO: What would you like to see different a year from now?

Ms. Helman: The most important thing to us is investor protection. From that sense I do not want to see anything different. I want to make sure we hold our stands and by that I mean we pre vet every opportunity and let less than 2% of the opportunities be seen in the marketplace. We have very strict underwriting guidelines and it is very important for us to work with established real estate companies in the market. From the other perspective, we do want to go grow and continue to automate and continue to have incredible customer service. From our perspective the individuals and the companies who are going to win at crowd funding are the companies who have the ability to grow quickly but conservatively and that is one of our key mottos in the company. What I mean by that is grow quickly whereby we have enough investment opportunities for our investors. As our investor base grows we want to have enough investment opportunities to supply the demand but also grow conservatively enough where our supply is pre vetted and holds to our underwriting criteria.

CEOCFO: Why should the business and investment community pay attention to Realty Mogul and what makes you an exceptional company?

Ms. Helman: Customer service is the first thing. We strive to be available to our investors. If you call into our company, you get somebody who picks up the phone. We call on every single investor who joins and it is one-on-one touch, the personalized touch

that makes us different. We are dealing with our investor's money and we take that very seriously. I think the other thing that makes us an exceptional company is that we are trail blazing. Although we are conservative, we are not afraid to try things a little bit differently and we are not afraid to introduce technology to a market that does not largely use technology. We are not afraid to continue innovating and doing things in a way that we think is more streamlined and better for our investors. We want to be the company that is still in business in five, ten and forty years. That makes us unique because we have a long-term view. We always want to be aligned with our investors and we are incredibly transparent. I think that also makes us exceptional.

CEOCFO: Is there anything about Realty Mogu that you would like to talk about that we have not covered?

Ms. Helman: One of the key investors for us is CEOs and CFOs of other companies. I want to mention this because of the audience that you have. It is very interesting to us because they are incredibly smart, sophisticated and savvy but they may not have the requisite asset allocation into real estate. We get a lot of people that are running businesses outside of the real estate sector and sometimes even in the real estate sector who are investing with us. Our main value proposition to them is that it makes it incredibly easy and quick for them. We are in the business of saving time and allowing them to make investment decisions quickly and efficiently. That is one of the big things we pride ourselves on.

Realty Mogul

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