

EQUITY ACCESS

Marin entrepreneurs create a revolutionary plan for home financing

BY JIM WOOD

It's not money from heaven, but two Marin businessmen have spent four years developing a concept they believe comes close. Industry analysts are saying the idea could revolutionize the home finance business. "Our process allows home owners to access their equity without selling their property or incurring additional debt," says Tiburon's Ian Charles. "Home financing, or refinancing, has always involved various forms of debt including interest charges and monthly payments. We've eliminated both of them." Charles' company, based in the high-rise at San Francisco's 101 California Street, is Rex & Co., the name Rex being a play on "real estate equity exchange."

"Essentially, we give home owners money, with no interest or monthly payment ever due, in exchange for a comparable percentage of their property's equity," Charles explains.

Charles' business partner, Thomas Sponholtz, a Sausalito resident since 1989 and Rex & Co.'s



CEO and chairman of the board, cites a recent transaction as an example. "A retired couple's San Rafael home was worth \$1.4 million with a loan of \$400,000 against it and thus an equity of a million dollars." Sponholtz says the couple wanted \$200,000 to help their daughter's family buy a larger home and also wanted to take a European trip they'd been planning for years. "But they didn't have that kind of discretionary

cash," he adds. Enter Rex & Co. "After an appraisal and a closing process similar to any home financing transaction, we issued them a check for \$200,000," Sponholtz says. In exchange, Rex & Co. shares in any future change in their home's value when they decide to sell it.

Meanwhile, the senior couple continues to live in their home, retaining all the benefits of home ownership and making no monthly pay-

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— IAN CHARLES

ments for principal or interest, and they can spend their \$200,000 however they wish, no strings attached. "When the couple decides to sell their home," Charles says, "Rex & Co. gets repaid its \$200,000, along with a transaction fee and its share of the change in value." The key point here is "change in value," because Rex & Co. shares in appreciation or depreciation—a unique feature of its business model.

"If, due to a decline in real estate values, the worth of the couple's home decreases," Sponholtz says, "Rex & Co. assumes a percentage of that loss—it works both ways."

Both Sponholtz, a graduate of Denmark's Academy of Business, and Charles, who holds an MBA in finance from USEF, stress that their entire business model has been "vetted inside and out for over three years by numerous legal firms and financial institutions." To date, investors throughout the country—including San Francisco's Hellman & Friedman and New York's American International Group (AIG)—have placed nearly \$150 million with the start-up company. Rex & Co. has 25 employees, including Marin-based COO Graham Williams of San Anselmo, Managing Director of Sales and Marketing Jeff Cusack of Tiburon and General Counsel Gail Kane of Mill Valley. The company is currently prepared to do business in New Jersey, Florida, Illinois, Colorado and Washington, as well as Northern and Southern California.

"We expect to be in 20 states by the end of 2007," says Charles. "It's surreal," he adds. "Just four years ago, Thomas and I were brainstorming this idea on a napkin over a glass of sake at Sushi Ran in Sausalito."