

**Homeowners**

**Economic**

**Realization**

**Organization**

**HERO**

**U.S. Patent # 6,460,021**

# HERO is a “fee-simple co-op”

- HERO co-ops the financing -- not the real estate
- Risk-reducing credit reserve (First Loss Reserve Trust – FLRT)
- Higher perceived value of fee simple ownership

# Dual credit enhancement

One: Lower price = lower risk

- HERO buys 20 or more homes at a target wholesale price of 80% of FMV

Two: First Loss Reserve Trust:

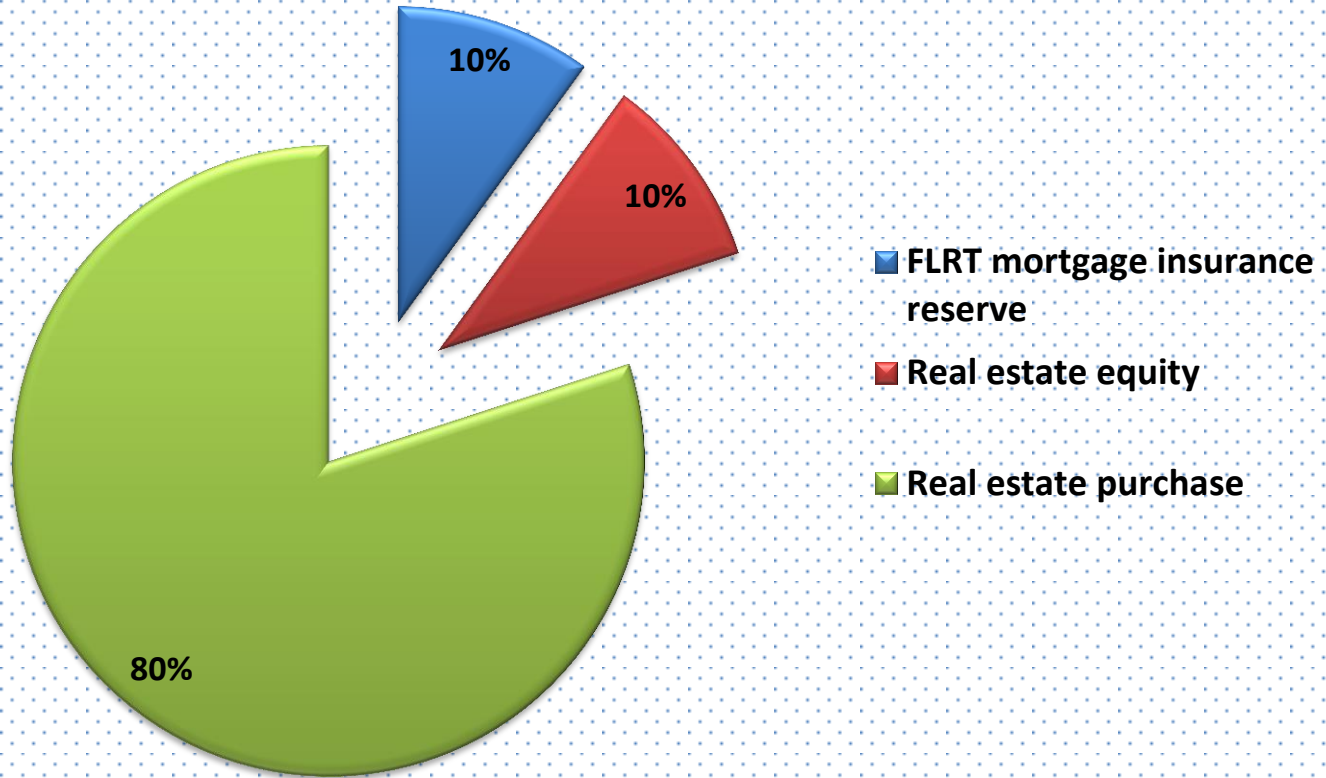
- 10 % loan overage cross-collateralized against the 20% “structural equity” (wholesale discount);
- lender holds pooled overage proceeds in a cash collateral account (FLRT)

# New Form of Guaranty

## First Loss Reserve Trust

- Guarantees NOT ONLY against loan principal losses, but also guarantees MONTHLY PAYMENTS.
- Humans are hard-wired to fulfill commitments made to fellow group members.
- Thus HERO members are highly reluctant to default on their group-owned asset (FLRT) – vs. the lower loyalty of individuals to lenders.

## Distribution of HERO Home Real Estate Value



# Five Arbitrages

1. Wholesale purchase of homes in a “retail only” market
2. Wholesale purchase of financing (reduced interest rates) and credit insurance (reduced premiums)
3. Internal credit enforcement and management reduces lender servicing expense
4. Group physical maintenance reduces ownership costs, a credit enhancement.
5. Group purchasing power for “green” energy use, reducing ownership expense which enhances credit.

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