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Cash-poor and equity-rich? This firm has an answer.

A local company essentially buys people's homes temporarily and at a steep discount to quickly get cash into the hands of homeowners, who stay as tenants

BY DENNIS RODKIN

As more Chicagoans lose jobs and experience cash crunches due to the pandemic, they are turning to what is for some their only equity: their homes. But home equity lines of credit are hard to come by these days as banks have tightened requirements.

Enter Skydan Equity Partners in Western Springs, which buys houses temporarily and lets the owners stay on as tenants, but defers all rent payments until either the homeowners' cleaned-up financial profile lets them qualify for a conventional mortgage and buy the home back from Skydan, or Skydan and the homeowners agree to put the house up for sale. Skydan typically owns the house for two years.

It's a lease-back arrangement that could be mistaken for predatory, but which is today becoming mainstream and legit in the COVID crisis.

Jim Stillo is a real estate investor who founded Skydan. The idea struck him in 2004, when a client needed \$50,000 to pay off debts but had a good chunk of equity in his home.

Since that time, Stillo has done about 30 similar deals. The first 25, prior to the pandemic, were primarily with credit-damaged households, but in recent months, Stillo says, it's been people who have been furloughed or laid off.

He's made five deals with homeowners since the pandemic furloughs began and expects many more in coming months as the millions of newly unemployed lose the supports they've had from increased unemployment benefits and mortgage, tax and credit card forbearance programs.

POPPING UP

Skydan's program is the only one of its kind that Crain's could find in Chicago, but

the idea is popping up around the country. A California fintech company called Point was the first to get national press, when the pandemic was young in April.

This month a New York firm called Easy Knock rolled out a similar leaseback program. The Wall Street Journal reports that with millions of American homeowners "house-rich but cash-poor," big investment firms anticipate many of them selling to get the cash they need to survive in the current economic conditions.

Stillo says Skydan has \$3 million in backing from a Chicago private-equity firm but that the firm required him to withhold its name.

When a woman in far north-suburban Beach Park lost her job because of pandemic-related cutbacks in early April, her primary financial cushion, the equity in her house, was difficult to tap into because her jobless status and poor credit prevented banks from lending against it.

Skydan paid off her mortgage and credit card debt, a combined total of about \$137,000, and now holds the title to her house, Stillo said. (The homeowner declined to talk to Crain's but permitted Skydan to provide details of her story.)

She'll live in the house with no housing or credit card payments for about a year, after which Skydan will put her house up for sale at about \$215,000.

When the house sells, Skydan will keep \$137,000, the amount it already paid to her debtors, plus an additional 3 percent of that (about \$4,100), and the deferred rent equal to about \$1,700 a month (about \$20,400 for a year). The rest of the sale proceeds will go to her.

At a \$215,000 sale, the woman will exit with more than \$53,000. In rent and its 3 percent cut, Skydan collects about \$25,000.

If Skydan's business premise makes



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skeptics' hackles go up, it had the same effect on Collete English Dixon, executive director of the Marshall Bennett Institute of Real Estate at Roosevelt University. "There's a history of programs that are set up to prey on consumers who don't have a lot of financial wherewithal and to play around with the title to their homes," she says.

After a long conversation with Stillo and looking through several of the firm's examples, English Dixon tells Crain's that Skydan's program "looks sound to me. They have a thoughtful process, and they talk the consumer through all outcomes so (homeowners) don't think there's a miracle out there just for them. It does not appear that they're a predator."

Skydan's program is suited to people with at least 40 percent equity in their home and a credit score below 620, Stillo says.

Stillo says he encourages clients to speak to an attorney before signing on. Credit-damaged clients must list specifically how they plan to spend the money (i.e., no sports cars), and his three-person firm provides informal credit and financial counseling.

"There are so many people who are in a tough spot, and we think we can help them through it," Stillo says. And make a little money in the process.