

Impact Report

2024

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MANAGER'S NOTE



John Green

Managing Principal

Blackstar Stability is excited to present our 2024 Impact Report. In these pages, we share our strategy and progress in addressing critical social risks and opportunities, both at our firm and within our investment portfolio. At Blackstar, we believe that families are the right investment – driving long-term value creation and risk mitigation.

Across the US, 2024 was a year of historically significant challenges for families seeking affordable housing. Limited supply, rising costs, and income inequality punctuated the worst year for first-time homebuyers in four decades, as the median price and age for first-time buyers reached their highest points ever recorded. Paradoxically, while traditional mortgage financing remains elusive for the most affordable tier of homes,

“

“...when offered a fair opportunity, a fresh start and ongoing guidance and support, most families are eager and successful in converting to a traditional and equitable lending arrangement.”

Freddie Mac has highlighted over 40 million “mortgage-ready” families prepared to buy. Frustrated by the lack of access, more than 36 million families have used a mortgage-alternative like a CFD to try claiming a stake in the American Dream. As families throughout the country struggle to navigate the shortage of affordable housing, solutions like Blackstar’s that address market failures that keep qualified buyers from participating as full owners in their communities are increasingly important.

In 2024, Blackstar sharpened its focus and laid the groundwork to dramatically increase the pace of our efforts. Over the life of the Fund, Blackstar aims to serve over 2,000 families and transfer more than \$100 million of equity. We are committed to unlocking enduring ownership for families while delivering strong returns and critical lessons learned as we build further. We look forward to sharing our journey with you.

A handwritten signature in black ink, appearing to read 'John Green'.

John Green

Founder and Managing Principal



BLACKSTAR'S MISSION

Generate significant benefits for vulnerable low- and moderate-income families through investments that address market failures, which limit their options to above-market home financing. We do this by restructuring contracts for deed (CFDs) and other similar debt instruments into traditional mortgages with fair terms.



Confront Mortgage Alternatives that Disadvantage Borrowers

Work with individuals who are unlikely to secure financing with a traditional lender and relieve them of the burden to terms that only benefit the lender.

Issue mortgages at a fair market rate.



Uplift Vulnerable Populations

Aid populations that struggle to obtain credit and have historically had difficulty building wealth through homeownership, therefore creating more equitable and stable communities.

Build generational wealth.



Expand Equitable Homeownership

Transfer equity to homeowners when available, significantly reduce principal and interest payments, and help homeowners maintain their homes.

Reduce monthly payments.



PROBLEM STATEMENT

This financing gap has made working class housing markets far less liquid, depressed homeownership, robbed communities of hard-earned equity, and diminished both the capital and incentive to reinvest in those communities.

Homeownership remains a critically important step to establishing financial security and embarking on a path toward generational wealth for most Americans. However, affordable homeownership is unattainable for many. In 2024, entry-level home affordability reached a 40-year low, with first-time homebuyers comprising the lowest percentage of purchases since 1981.

Much of the naturally-occurring affordable housing market is less accessible for buyers, despite the fact that Freddie Mac estimates over 40 million Americans are “mortgage-ready.” Unequal access to traditional mortgages exacerbates the problems, particularly for families seeking to buy homes

less than \$150k. The absence of available mortgages gives rise to expensive and often predatory alternatives like CFDs. This financing gap has made working class housing markets far less liquid, depressed homeownership, robbed communities of hard-earned equity, and diminished both the capital and incentive to reinvest in those communities.

This is a ubiquitous issue in the US that extends into rural, urban and suburban markets, spanning red and blue states alike, while disproportionately affecting working-class, low- and moderate-income communities.




WHAT ARE CFDs

CFDs have emerged as a potential solution to address the overlooked issue of small-balance mortgages, particularly in communities where access to credit, banking infrastructure, and income levels are limited.

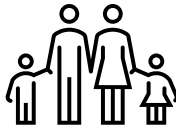
CFDs are alternative arrangements for the purchase of a home that are made between a buyer and seller. In a CFD, the buyer agrees to make regular payments to the seller over a specified period until the home's total purchase price is paid in full. Unlike traditional mortgages, the buyer does not immediately assume ownership of the property; instead, they gain an interest in the home, and the legal title remains with the seller until the final payment is made.

CFDs are often utilized in situations where traditional mortgage financing may be challenging to obtain, particularly for households in the 30%-60% Area Median Income (AMI) range, providing an alternative, less compelling path to homeownership for individuals with lower incomes or limited access to credit.



“...a predatory agreement that combined all the responsibilities of homeownership with all the disadvantages of renting - while offering the benefits of neither.”

- Ta-Nehisi Coates, 2014



30% - 60%
AMI

Target Households

CFDs are targeted at households in the 30%-60% AMI range providing less compelling path to homeownership.



WHAT ARE CFDs

Nationally, the challenge of financing properties valued below \$150,000 is evident, with fewer than 30% of these purchases financed through traditional mortgages. In the years between 2004 and 2021, Pew estimates a staggering 70% decline in small mortgage lending, while mortgage lending for higher-priced homes increased by 52%. The shift is attributed to increased home appreciation and banks favoring higher balance mortgages, creating a gap that CFDs are uniquely positioned to fill, offering a risky, alternative avenue for aspiring homeowners.



Less than
30%

Traditional Mortgages

Less than 30% of home valued below \$150K are financed with traditional mortgages




CFDs: Built to Fail


Illusion of Ownership	<ul style="list-style-type: none">Residents often believe they own the property, even though they are not on the title.If a buyer misses a payment, they are treated similarly to a renter – the contract can be canceled, and the seller retains both the property and the money the buyer has already paid.Many take on significant repair and maintenance costs to make the home livable, which are expenses that should have been the seller’s responsibility. Some also invest additional funds for upgrades or improvements.
Above Market Pricing	<ul style="list-style-type: none">Contract prices often exceed the property’s actual value.Interest rates are typically 400–500 basis points higher than traditional mortgage rates.
Obligation Without Benefits	<ul style="list-style-type: none">Buyers don’t gain access to equity until the contract is fully paid off and cannot sell or transfer the property.They are also not always eligible for mortgage interest rate tax deductions.Still, they are fully responsible for property taxes, repairs, and insurance.
Few Customer Protections	<ul style="list-style-type: none">These contracts often bypass basic protections: homes are sold without inspections or appraisals, and truth-in-lending laws are frequently ignored.Since the seller remains on title, they can take out mortgages on the property, putting buyers at risk of foreclosure, even if they have made every payment on time.



Who We Are

At Blackstar Stability Distressed Debt Fund, we are committed to helping historically overlooked communities obtain access to fair and equitable homeownership. By converting CFDs into traditional mortgages for families since the Fund's inception, we have transferred over \$3.9 million in equity to homeowners. This transfer has unlocked:

Stronger, more resilient Communities	Economic Empowerment	Financial benefits and generational wealth building
Equity Transferred	Average Increase on Net Assets	Families Supported
		
\$3.9 Million	22.1x Increase	100 Since 2021

Fund Target	
	
2K Families Supported	\$100 M Equity Transfer

With an innovative business model and strategic partnerships, we have allocated capital to support nearly 100 families. These families have realized, on average, a 22.1x increase in their net assets, creating meaningful, enduring impact. With this foundation, we project the Fund will transfer over \$100 million of equity, while serving more than 2,000 families.



THEORY OF CHANGE

Problem

Lack of traditional financing access and predatory lending practices disproportionately affect low- and moderate-income families and promote disinvestment in their communities.



Action

Purchasing and converting CFDs/LTOs to traditional mortgages

Metrics: Interest rate reductions, loan-to-value, arrearages forgiven, debt-to-income ratio, housing ratio

Immediate Outcomes

Immediate transfer of homeownership, creation of equity, relief of financial burdens

Metrics: Equity transfer, payment reductions, principal reductions, deferred maintenance, net asset gain



Long-term Outcomes

Reduce the volume of seller-financed alternatives, create equitable housing opportunities, uplift and support vulnerable populations and families through helping to facilitate stable neighborhoods and communities

Metrics: Demographics, families supported, long-term stability, financial outcomes, child outcomes, employment outcomes



IMPACT OF HOMEOWNERSHIP ON FAMILIES

To better understand the outcomes experienced by families, Blackstar conducted a survey of households that successfully transitioned into traditional mortgages. The questions were designed to evaluate the impact of stable, secure housing on key Social Determinants of Health.

As stated by the CDC, “Social determinants of health (SDOH) are the nonmedical factors that influence health outcomes.” SDOH can be grouped into five categories:

1	Economic Stability	Support people in securing steady incomes so that they can afford their health needs.
2	Education Access and Quality	Expand access to quality education for children and adolescents to help them succeed academically.
3	Health Care Access and Quality	Amplify access to comprehensive, high-quality health care services.
4	Neighborhood and Built Environment	Ensure that where people live, work, and gather is safe and healthy .
5	Social and Community Context	Improve social and community networks, increase community engagement.



IMPACT OF HOMEOWNERSHIP ON FAMILIES

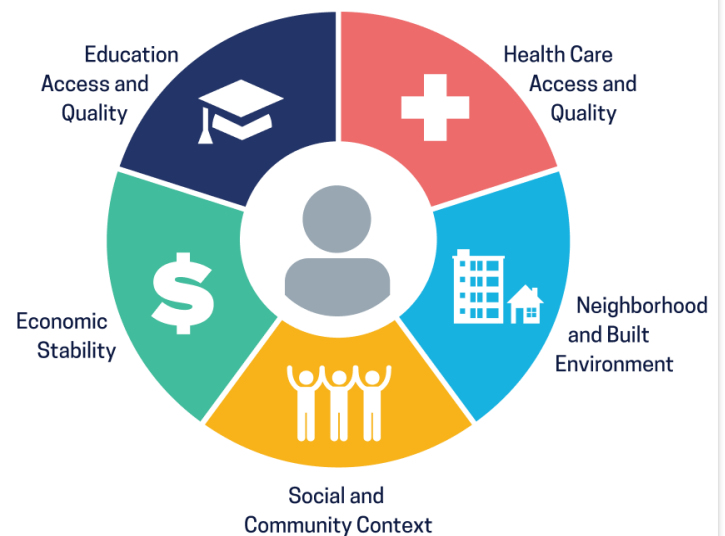
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“SDOH have been shown to have a greater influence on health than either genetic factors or access to healthcare services.”

-Center for Disease Control

While capital markets may not be able to invest directly in social outcomes, they can invest in housing: an area closely linked to many of those outcomes. Research consistently shows that homeownership leads to improvements in key SDOH. By helping families secure traditional mortgages, Blackstar Stability opens doors to greater stability and opportunity. This body of research adds important context for understanding how homeownership is reshaping the lives of families targeted by Blackstar.

Social Determinants of Health



Social Determinants of Health
Copyright-free

Healthy People 2030



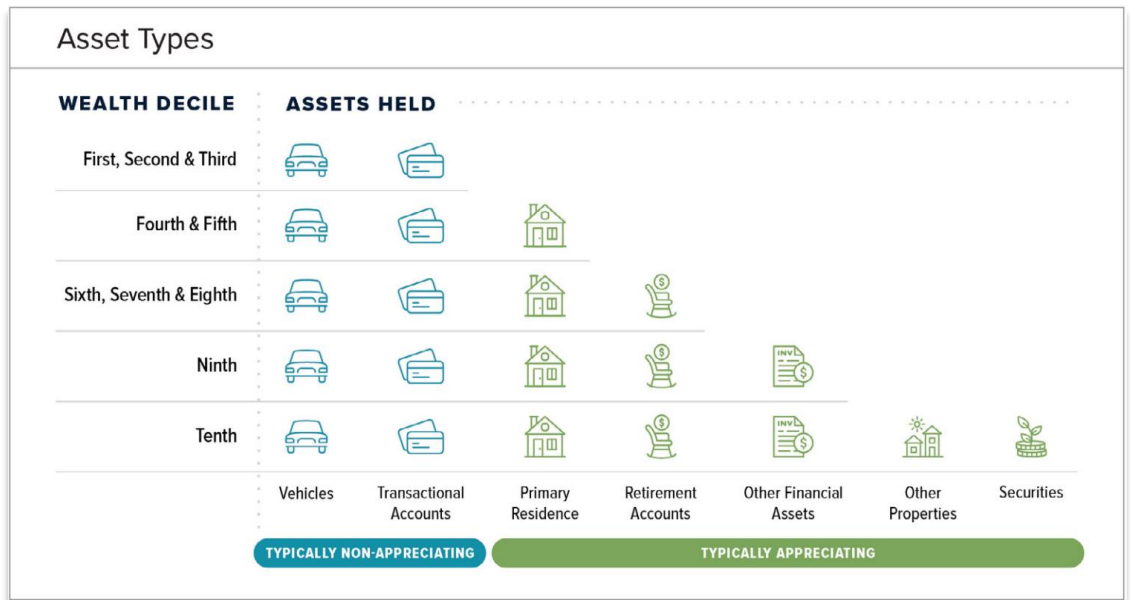
[Social Determinants of Health - Healthy People 2030 | odphp.health.gov](https://odphp.health.gov)

The following sections use this supplemental evidence to reinforce and deepen the insights gained from the customer survey.



IMPROVED FINANCIAL OUTCOMES

Converting a CFD into a traditional mortgage can create immediate and long-term financial stability for families. According to HUD, homeownership is the primary way lower-and moderate-income households build wealth. For many Blackstar



Source: Foundations of a New Wealth Agenda, Aspen Institute Financial Security Program (2021).

families, this critical transition into the ownership of a typically appreciating asset marks the first step on the path to generational wealth building.

One of the immediate benefits reported by homeowners is a reduction in monthly housing costs. Among the families that successfully transitioned into a traditional mortgage, 40% reported an “extreme benefit” from lower monthly payments. On average, clients have seen a 25% reduction in their monthly payments. That extra income makes a tangible difference, allowing families to purchase groceries, pay for medical care, and cover other basic needs without sacrificing financial security.

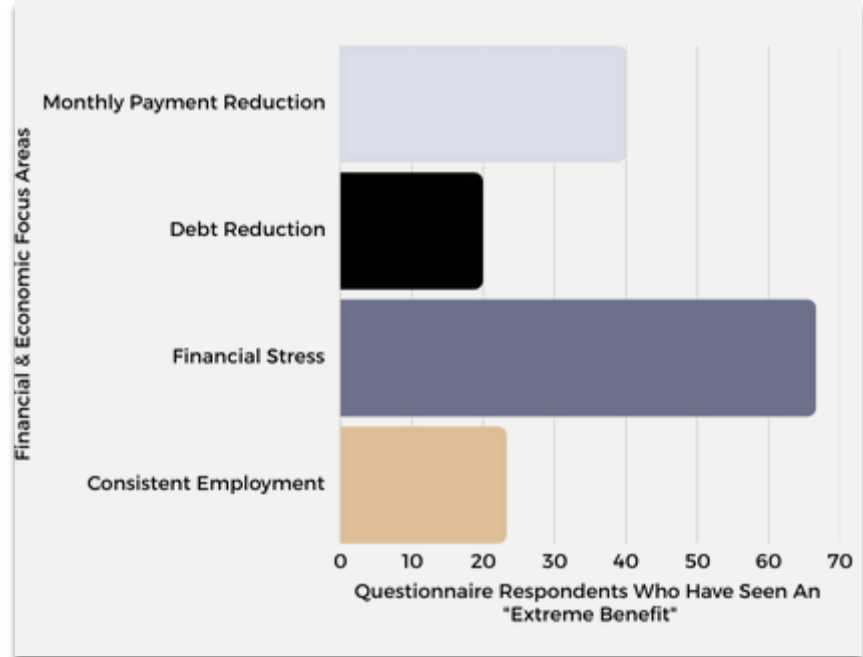
Access to a traditional mortgage also allows homeowners to reduce debt. For many, this has had significant personal and financial value. According to the National Low Income Housing Coalition, expanding access to affordable housing is one of the most effective ways to reduce childhood poverty and improve economic mobility. By helping families secure affordable, stable housing, Blackstar is supporting closing the wealth gap for many



IMPROVED FINANCIAL OUTCOMES

of these families.

In addition to cost savings, homeowners also benefit from the ability to build credit. Many of Blackstar's borrowers have previously been classified as "credit invisible," a term used to describe the 26 million adults in the U.S. who lack a credit history. Without credit, these individuals face barriers to loans, credit cards, and other financial tools. Obtaining a traditional mortgage allows families to begin establishing credit history and financial credibility.



The impact of financial stability goes beyond wealth building. Lower monthly housing costs also reduce stress, which can improve overall health and well-being. According to the National Alliance on Mental Illness, access to affordable housing is a critical social determinant of mental health. Blackstar borrowers have consistently reported that converting their CFD into a mortgage has reduced their financial stress. Reduced stress levels can lead to improvements in physical health, educational outcomes, and long-term economic prospects.



Sustained Employment

22%

Blackstar homeowners believe gaining stable housing improves sustaining their employment

Stable housing also supports stable employment. According to WorkLife Partnership, renters who lose their housing are up to 22% more likely to lose their jobs. Among Blackstar homeowners, 22% reported that gaining stable housing improved their ability to maintain consistent



IMPROVED FINANCIAL OUTCOMES

employment. Employment stability not only contributes to financial security but also increases opportunities for community involvement and helps families support their children's education.

Homeownership is a powerful tool for building wealth, but its impact is broader than financial gains alone. Most of the families who completed the survey (83%) plan to live in their home for more than ten years, and 70% view their home as part of their retirement plan. Many now plan to pass their homes on to children and grandchildren. These outcomes demonstrate that the opportunity provided is not only about housing access, but about long-term economic mobility and generational wealth.

Owner Occupied

Blackstar homeowners plan on staying in their home for 10+ years



83%



Retirement Plan

Blackstar homeowners view their home as part of retirement

70%

References:

- [Why We Care | National Low Income Housing Coalition](#)
- [Social Determinants of Health: Housing | NAMI](#)
- [How Unaffordable Housing Impacts Employees and Your Business](#)



INVESTING IN CHILDREN'S FUTURE

Homeownership doesn't just stabilize families, it creates meaningful improvements in children's health, education, and emotional well-being. For survey participants with children, the shift from a CFD to a traditional mortgage has already had visible, early impact. Since child development outcomes take time to fully materialize, the fact that homeowners are already reporting improvements highlights the powerful role that stable housing plays in supporting a child's development.

One of the immediate changes reported by families is in their children's health with 50% of survey respondents indicating that their child's health had improved since securing homeownership. Studies by the Joint Center for Housing Studies found that homeowners reported fewer doctor visits and fewer bouts of illness, highlighting the stabilizing effect of owning a home. The sense of security provided by homeownership also improves physical health, as families are less likely to experience the stress associated with housing instability.



47%

Emotional & Social Development

Blackstar homeowners reported improvements in their child's emotional, language, and social development



4X

Housing Stability

Blackstar homeowners are 4 times more likely to stay in community than average renter

INVESTING IN CHILDREN'S FUTURE

In addition to health, homeownership supports emotional and social development. Nearly 47% of survey respondents reported improvements in their child's emotional, language, and social development. A stable home provides a consistent environment where children can grow, form friendships, and feel safe. Unlike the frequent moves common in rental situations or under predatory loans, where the average stay is just 2.1 years, homeownership provides stability, with families typically staying in their homes for an average of 8.1 years. The overwhelming majority (83%) of survey respondents say they plan to stay in their home for more than ten years. That stability helps reduce anxiety and promotes stronger social and emotional stability over time.

Academic performance is another area where Blackstar homeowners are already seeing positive signs. Over 33% of survey respondents reported a noticeable improvement in their child's educational success since becoming homeowners. Research consistently shows that children in owner-occupied homes are more likely to succeed academically.



Improved Health

50%

Blackstar homeowners stated children's health improved since securing ownership



Academic Performance

33%

Blackstar homeowners reported noticeable improvement in child's education



INVESTING IN CHILDREN'S FUTURE



Owner-occupied Households



25%

More likely to
graduate high
school

1.2x

More likely to
attend college

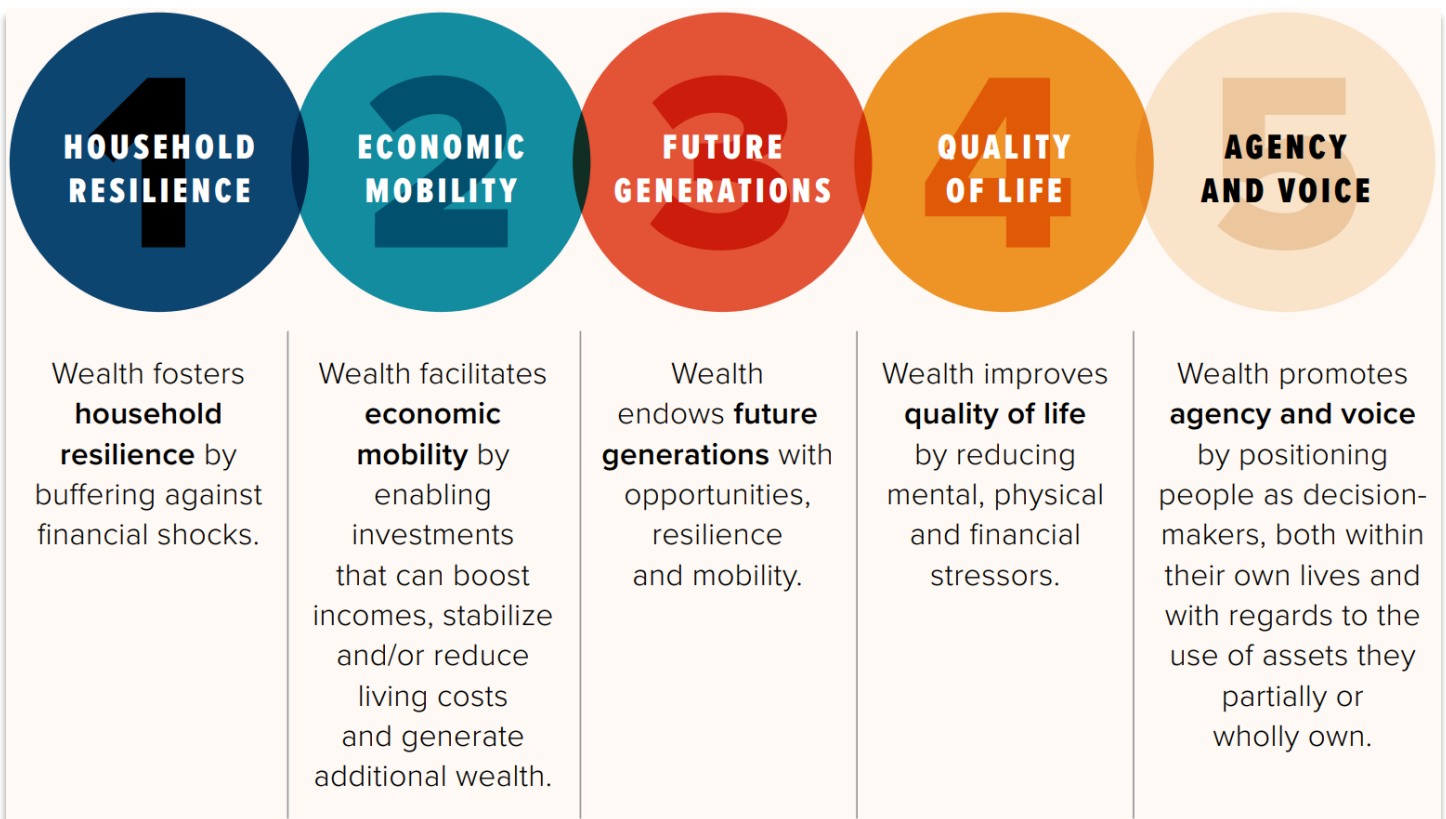
Studies suggest that children in owner-occupied households are 25% more likely to graduate from high school and 1.2x more likely to attend college compared to children in rental households. Stability allows children to focus on their studies without the distraction or anxiety that often comes with moving or living in substandard housing.

While the full effects of homeownership on child development take time, the results reported by Blackstar homeowners show promising progress. Notably, no clients reported any negative effects of homeownership on their children.

These early outcomes reinforce what research has already shown: housing stability is a critical factor in childhood development. Homeownership gives parents the confidence and security to invest in their children's future, whether through better healthcare, school involvement, or simply the consistency that comes with staying in one place.

EXPANDING AND SHAPING COMMUNITIES

Homeownership is more than a financial milestone. It is a meaningful investment in the people and places that make up a community. When families secure stable housing, they gain the opportunity to build lasting relationships, contribute to neighborhood well-being, and engage more deeply in civic life. Blackstar's approach to expanding access to homeownership helps families put down roots and participate in shaping the future of their communities.



Source: Foundations of a New Wealth Agenda, Aspen Institute Financial Security Program (2021).

One of the most consistent benefits of homeownership is increased neighborhood stability. Research shows that homeowners are five times less likely to move than renters.



EXPANDING AND SHAPING COMMUNITIES

This kind of long-term residence allows families to become familiar with their neighbors and surroundings, creating the conditions for community cohesion. Among Blackstar homeowners, 83% say they plan to live in their home for more than ten years. In addition, 70% view their home as part of their retirement plan. These figures reflect not only confidence in their housing situation but also a long-term commitment to their community.

Stability also supports access to relationships. When residents stay in place, they are more likely to build trust, support systems, and informal networks that improve quality of life. Nationally, low- to moderate-income homeowners have 21% more social connections than renters in the same neighborhoods. More than 30% of survey respondents reported a positive change in their level of community involvement since becoming homeowners. These connections are the foundation of strong neighborhoods.



More than
30%

Community Engagement

More than 30% of Blackstar homeowners reported a positive change in their level of community involvement since

Homeownership is also linked to greater civic participation. Homeowners are more likely to vote in local elections, attend public meetings, and engage in neighborhood organizations. These activities help ensure that residents have a voice in decisions that affect their community. Studies show that increasing access to homeownership can raise civic participation rates by up to 8% among disadvantaged groups. These increases in engagement contribute to better outcomes for neighborhoods, including stronger leadership, shared responsibility, and lower crime rates.



EXPANDING AND SHAPING COMMUNITIES

Blackstar's impact strategy helps families move into secure, long-term housing where they are positioned to become active contributors to their neighborhoods. As clients settle into their homes, they shape the future of their communities by building trust, participating in civic life, and working together to create places where families can thrive.



References:

- <https://www.jchs.harvard.edu/sites/default/files/hbtl-04.pdf>
- https://www.habitat.org/sites/default/files/documents/22-85504_USRM_EvidenceBrief-CivilSocialEng_FASH-hires%20%285%29.pdf
- <https://www.nar.realtor/sites/default/files/documents/Homeownership-Stable-Housing2016.pdf>



SAFE, STABLE HOUSING AND HEALTH OUTCOMES

Providing families with stable, affordable housing leads to measurable health benefits. A study coauthored by Enterprise Community Partners, Inc. and the Center for Outcomes Research and Education found that when low-income households moved into safe, affordable homes, they had 18% fewer emergency room visits and a 12% reduction in annual healthcare costs on Medicaid.



More than
53%



Stress Reduction

Blackstar homeowners have seen a
“Positive Change” in their
psychological stress level

Emerging evidence shows that homeownership itself may contribute to better health over the long run. A recent CDC study (using data on over 400,000 Americans) found that, even after accounting for income and demographics, homeowners had significantly lower rates of conditions like diabetes, heart disease, and asthma compared to renters.

More than 53% of Blackstar homeowners have seen a “Positive Change” in their psychological stress level.

References:




-  [Health in Housing: Exploring the Intersection between Housing and Health Care](#)
-  [Homeownership Matters: Impact of Homeownership on the Prevalence of Chronic Health Conditions in the United States](#)



INVESTING IN REPAIRS, INVESTING IN PEOPLE

The condition of a home has a profound impact on those who live there. For example, mold and pests present in a property are strongly linked to asthma, especially in children. For seniors, exposure to extreme temperatures due to a lack of proper insulation or dated heating and cooling systems can elevate the risk of chronic illness.

Impact of Built Environment

Environmental Hazards	Lack of Safe Utilities	Structural Disrepair and Safety
		
The presence of lead-based paint, lead pipes, mold, or asbestos can contribute to chronic disease and injury. Exposure to peeling lead paint or lead in plumbing can cause irreversible developmental and nervous system damage. Mold from persistent roof or plumbing leaks can trigger asthma, chronic coughing, and other respiratory illnesses.	Outdated or nonfunctional HVAC systems pose serious risks. Homes that are too cold in winter or too hot in summer, a common issue in under-insulated homes, are associated with higher rates of respiratory illness, high blood pressure, and even depression.	Failing roofs, broken steps, faulty wiring, or missing smoke and carbon monoxide detectors dramatically increase the risk of accidents and fires. Inadequate home maintenance leads to dangers like exposed nails, broken windows, or unsafe stairways. These conditions especially endanger children and older adults, who suffer higher rates of injuries in poorly maintained homes.

INVESTING IN REPAIRS, INVESTING IN PEOPLE

HUD's Healthy Homes Principles

The Eight Principles of a Healthy Home

HUD's Office of Lead Hazard Control and Healthy Homes defines [Eight Principles of a Healthy Home](#).

- 1 Keep it dry:**
Prevent water from entering the home through leaks in roofing systems, prevent rainwater from entering the home due to poor drainage, and check interior plumbing for any leaking.


- 2 Keep it clean:**
Control the source of dust and contaminants, by creating smooth and cleanable surfaces, reducing clutter, and using effective wet-cleaning methods.


- 3 Keep it safe:**
Store poisons out of the reach of children and properly label. Secure loose rugs and keep children's play areas free from hard or sharp surfaces. Install smoke and carbon monoxide detectors and keep fire extinguishers on hand.


- 4 Keep it well ventilated:**
Ventilate bathrooms and kitchens and use whole-house ventilation for supplying fresh air to reduce the concentration of contaminants in the home.


- 5 Keep it pest-free:**
All pests look for food, water, and shelter. Seal cracks and openings throughout the home; store food in pest-resistant containers. If needed, use sticky-traps and baits in closed containers, along with least-toxic pesticides such as boric acid powder.


- 6 Keep it contaminant-free:**
Reduce lead-related hazards in pre-1978 homes by fixing deteriorated paint and keeping floors and window areas clean using a wet-cleaning approach. Test the home for radon, a naturally occurring dangerous gas that enters homes through soil, crawlspaces, and foundation cracks. Install a radon removal system if levels above the EPA action level are detected.


- 7 Keep it well maintained:**
Inspect, clean, and repair the home routinely. Take care of minor repairs and problems before they become large repairs and problems.


- 8 Keep it thermally controlled:**
Houses that do not maintain adequate temperatures may place the safety of residents at increased risk from exposure to extreme cold or heat.





INVESTING IN REPAIRS, INVESTING IN PEOPLE

Based on survey responses, 86% of homes require various levels of repairs. These range from replacing an outdated roof, updating plumbing and electrical systems, or installing suitable heating and cooling systems. Given that the majority of respondents plan to remain in their homes for at least another 10 years, the need to address these repairs is paramount.

By helping convert CFDs into traditional mortgages, families are empowered to identify needed repairs that will allow them to stay in their homes securely. Each updated home means a healthier, safer living environment for decades to come. Removing home hazards like mold and pests improves children's asthma and reduces medical visits, while modest home modifications result in a 30% improvement in daily functioning for low-income seniors.

The combination of long-term occupancy and property repair needs highlights the immense opportunity and importance of investing in mechanical and structural upgrades.

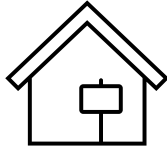


86%

Deferred Maintenance

Blackstar homes require various
levels of repairs

CASE STUDIES



2x

Home Equity

This Blackstar home has increased in value by 2x since securing a mortgage

Borrower is a married mother of five kids, two that are disabled. Borrower's monthly income is solely based on social security and totals \$1,985 per month. Borrower's husband works irregular jobs that produce income but do not qualify as a reliable source for loan repayment. When Blackstar purchased the home in 2021, the family immediately contacted Blackstar, explaining that the family had entered a lease option that had expired.

Blackstar offered a mortgage at a lower payment using the wife's credit and income. Since securing the traditional mortgage, the family has not missed a payment, the kids are stable, and the house has appreciated significantly. Currently, the home is valued at \$119,000 which represents a 2x increase in value since securing a mortgage.

Current Home Value

\$119,000

Original Option Price

\$41,000

Principal Balance

<u>At Acquisition</u>	<u>Modified</u>	<u>Reduction</u>
\$38,000	\$38,000	\$0

Interest Rate

<u>Original</u>	<u>Modified</u>	<u>Delta (Basis Points)</u>
N/A	6.50%	N/A

Monthly Principal and Interest Payment

<u>Original</u>	<u>Modified</u>	<u>Reduction</u>
\$399	\$240	\$159

Remaining Term (months)

<u>Original</u>	<u>Modified</u>
N/A	360

Equity Transfer at Conversion

\$11,100

Post-Conversion Appreciation

\$60,000

CASE STUDIES



\$273/month

Payment Reduction

Converting from CFD to a mortgage lowered monthly payments by \$273.

Borrower is a middle-aged woman who works as a nurse. Though she has stable employment, averaging \$5,000/month in income, she has struggled with large student loan debt payment from self-financing her education. In 2013, she executed an agreement for an expensive CFD, and was later discouraged to learn that she did not have title to the home after 8 years of payments. In 2021, Blackstar converted her CFD to a mortgage that decreased her monthly payment by \$273 a month and secured \$29,500 in equity. The home has

appreciated an estimated \$52,000 in additional value since securing the mortgage. She has reported that she is making progress on paying off student loan obligation and is able to sleep better knowing that the home equity belongs to her.

Current Home Value		
\$133,000		
Original Option Price		
\$63,045		
Principal Balance		
<u>At Acquisition</u>	<u>Modified</u>	<u>Reduction</u>
\$51,657	\$51,600	\$57
Interest Rate		
<u>Original</u>	<u>Modified</u>	<u>Delta (Basis Points)</u>
9.99%	6.50%	349
Monthly Principal and Interest Payment		
<u>Original</u>	<u>Modified</u>	<u>Reduction</u>
\$599	\$326	\$273
Remaining Term (months)		
<u>Original</u>	<u>Modified</u>	
252	360	
Equity Transfer at Conversion		
\$29,500		
Post-Conversion Appreciation		
\$52,000		



RISKS & CHALLENGES

Deferred Maintenance

As Blackstar has become more familiar with the collateral conditions of the homes of the population served, the need to support deferred maintenance has become more clear. After a successful pilot program of creative financing solutions to address this need, the lessons learned will help inform Blackstar's investment strategy going forward.

While Blackstar works diligently to ensure success in converting those affected by a lack of mortgage access, there are obstacles that arise throughout the process. Blackstar is constantly working to create solutions and innovative models to support future homeowners while still ensuring proper management of investor capital.

Selling in the Secondary Market

Since Blackstar packages and sells mortgages on the secondary market, interest rates and other macro-trends may affect the sale price. If Blackstar is unable to sell the mortgages at acceptable prices, less families will be able to be converted over time.

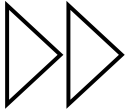
Regulatory Considerations and Impacts

Due to uncertainty surrounding tariffs, federal spend and budget, and the scaling down or complete elimination of many federal programs and departments, high interest rates and low housing affordability continue to be exacerbated.

Mortgage Qualification

After underwriting all borrowers to obtain mortgages, ~30% of the initial tranche have been unable to qualify. Blackstar is actively working on creating a solution for this group.

LOOKING FORWARD



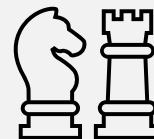
Blackstar Stability intends to continue to grow its impact in ways that benefit at-risk populations and improve financial security for future generations. Understanding the effects of housing conditions on children and senior populations will be a focus in the expanded strategy of future funds.



Recent Membership

- Blackstar was recently admitted to Impact Capital Managers (ICM), an organization that provides a platform for private capital fund managers focused on impact to network/collaborate
- The invitation only membership into ICM is for fund managers meeting specific criteria with respect to capital raised and impact focus

[Impact Capital Managers](#)



Strategic Partnership

- Expand the suite of available loan options for families to include HUD and GSE-backed mortgages, via a recent strategic partnership with a national mortgage lender
- Will allow qualifying families to refinance directly into HUD or conventional mortgages.



LOOKING FORWARD

Six Investment Themes

1	Contracts For Deed	CFDs are a form of seller financing, where the seller retains legal title and ownership of a home until the borrower completes the payments. The buyer accepts the obligations of ownership upfront, without the key benefits.
2	Mortgage Ready Borrowers	There are more than 41 million “Mortgage Ready” consumers across the US with a significant disparity by ethnicity. The markets where their demand is met with more affordable housing supply tend to rely more on alternative financing arrangements as traditional mortgages are less available.
3	Low Balance Mortgages	Nationally, fewer than 30% of all properties sold for less than \$150k are financed with a traditional mortgage. Unfavorable economics of loan origination drive the disparity more than any deficiencies of financial wherewithal or creditworthiness amongst qualified borrowers.
4	Manufactured Housing	Americans have difficulty getting loans to buy manufactured homes. Denial rates for these loans are more than seven times higher than for those used to purchase comparable site-built homes. Chattel and personal property loans for these homes have meaningfully worse terms.
5	Home Repairs	Borrowers with alternative financing arrangements struggle to finance predictable home maintenance and necessary aging-in-place items for the same reasons they struggle to secure traditional mortgages.
6	Closing the Wealth Gap	Homeownership is key for building wealth, with nearly two-thirds of wealth for middle-income families comprised of their principal residence.

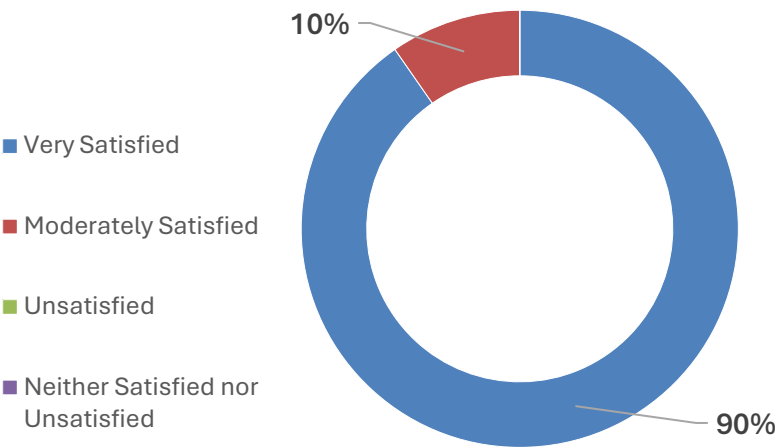


APPENDIX

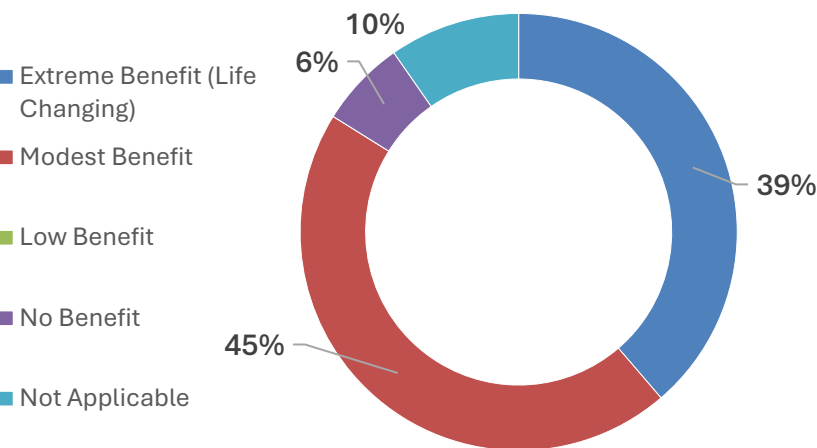


SURVEY RESULTS

How satisfied are you with your decision to become a homeowner?



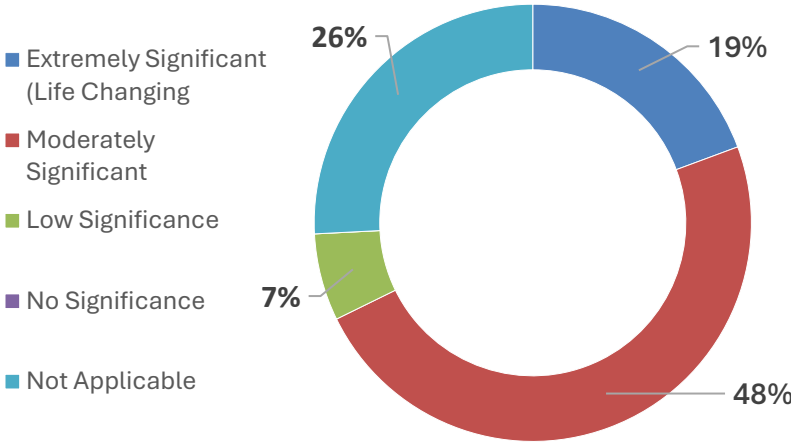
How has the reduction in your monthly payment benefited your family?



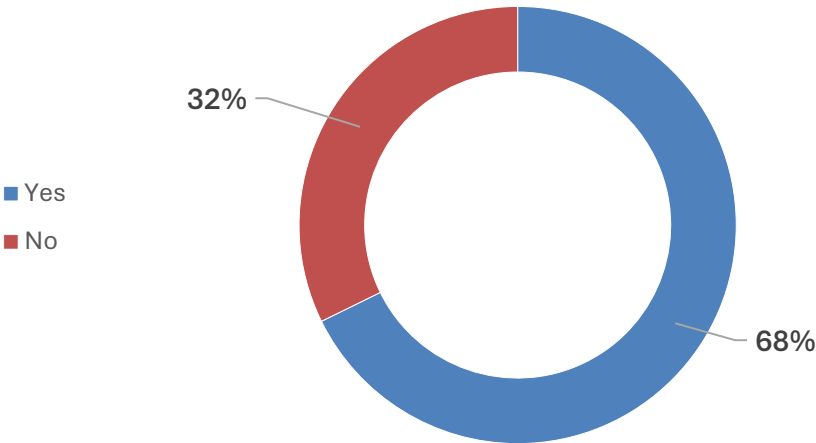


SURVEY RESULTS

If debt was reduced with your new mortgage, how significant was this?



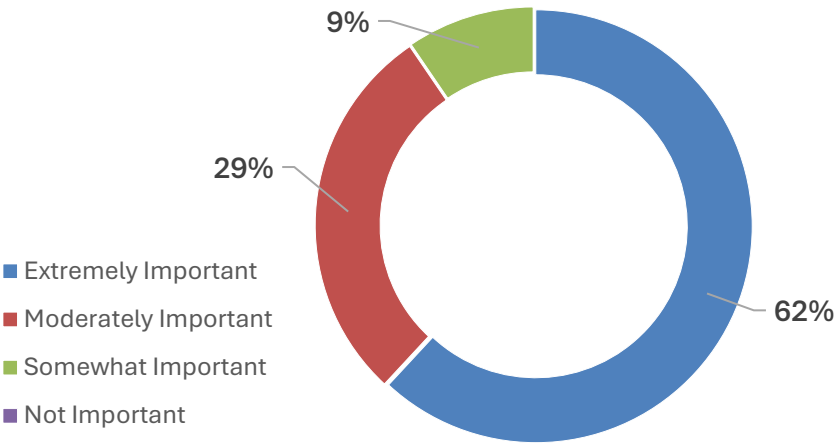
Do you believe your house is worth more than owed?



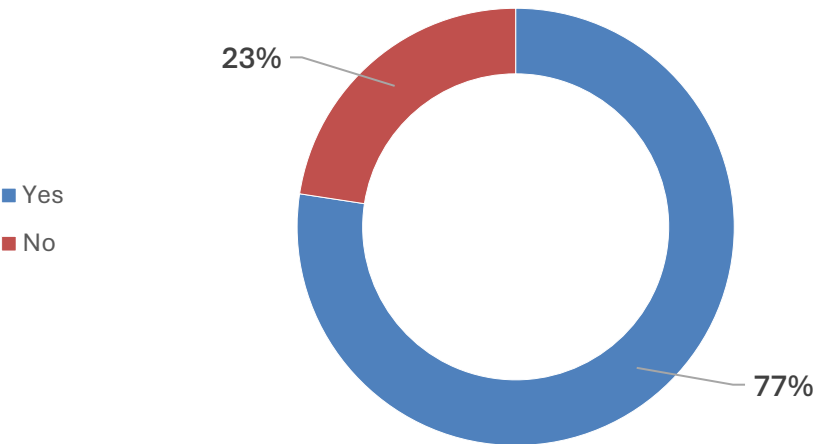


SURVEY RESULTS

How important is having equity?



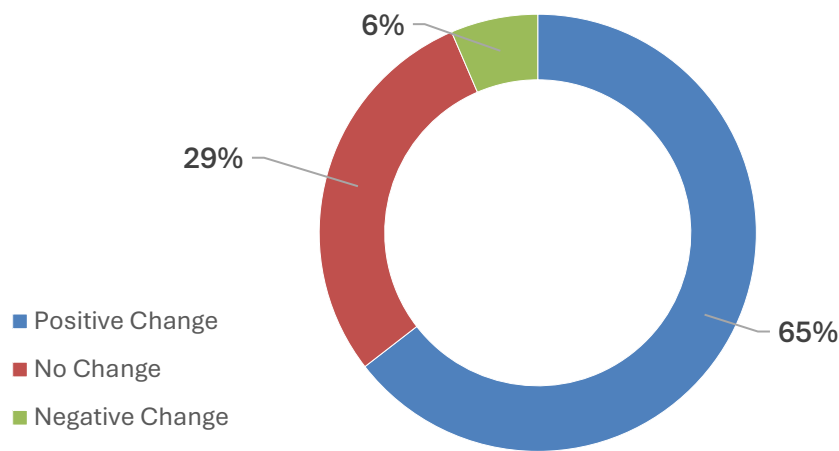
Do you believe it will be worth more in the future?



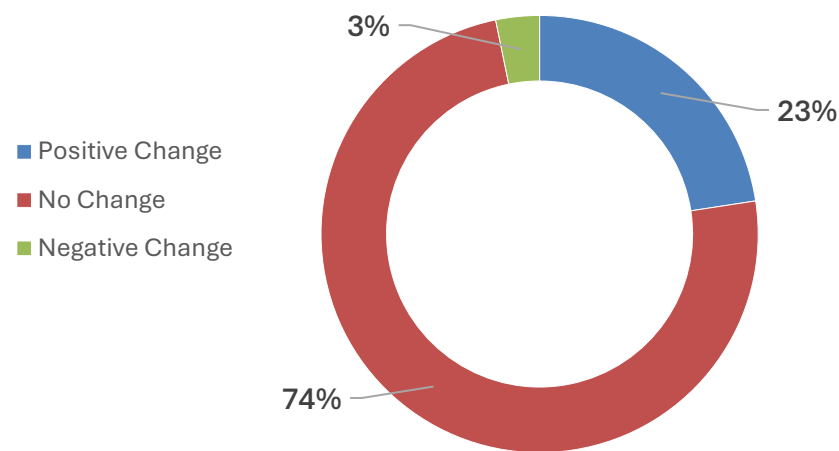


SURVEY RESULTS

Have you seen a change in your financial situation/stress?



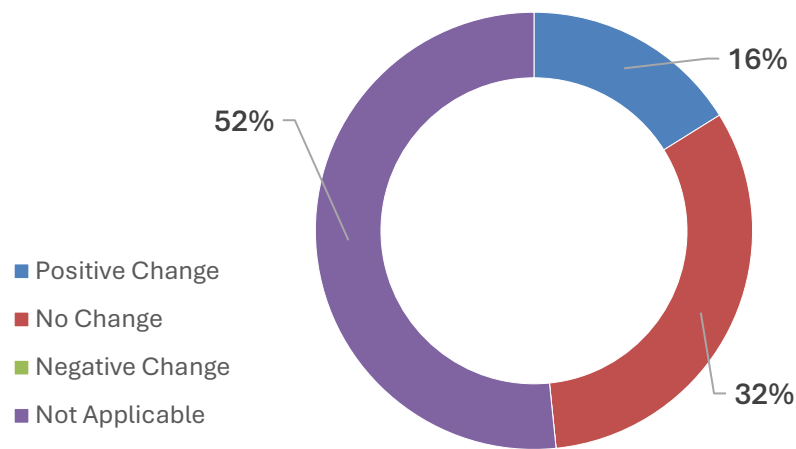
Have you or a family member experienced any changes in your ability to obtain and maintain consistent employment since becoming a homeowner?



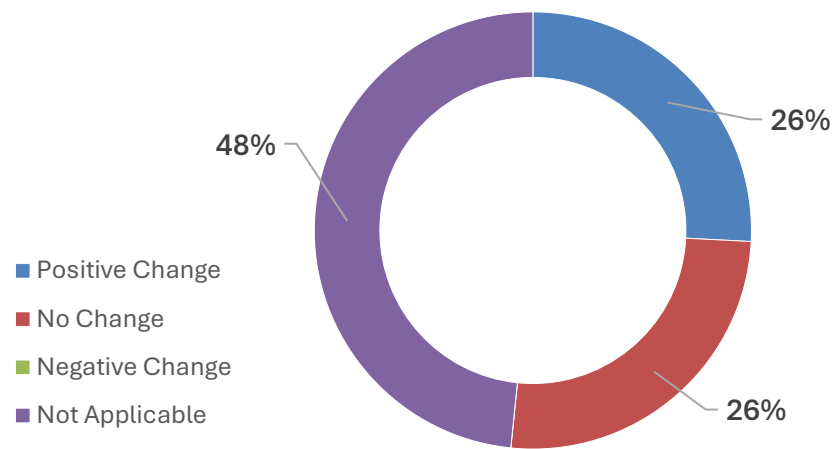


SURVEY RESULTS

Have you seen a change in your children’s educational success since becoming a homeowner?



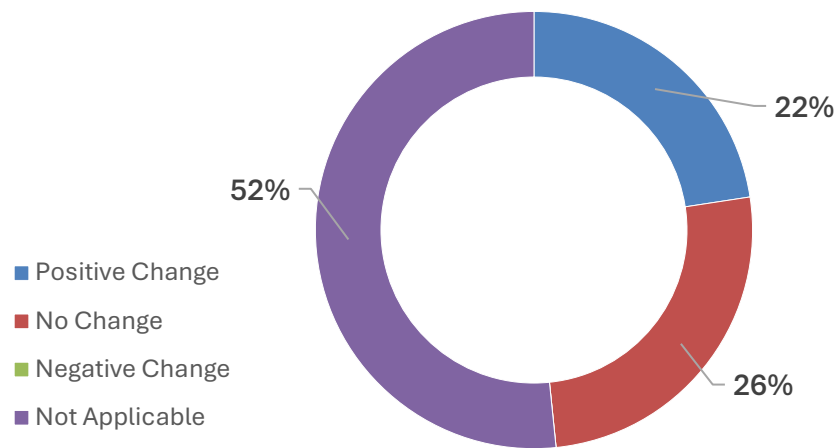
Have you seen a change in your children’s mental and physical health since becoming a homeowner?



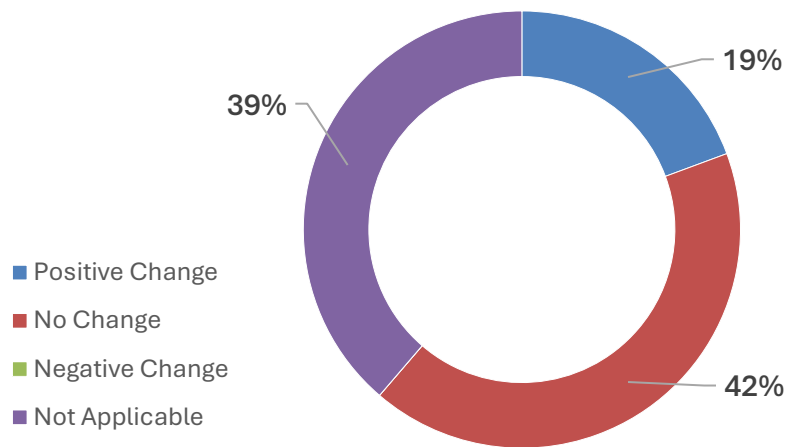


SURVEY RESULTS

Have you seen a change in your children’s development (emotional, language, social, etc.) since becoming a homeowner?



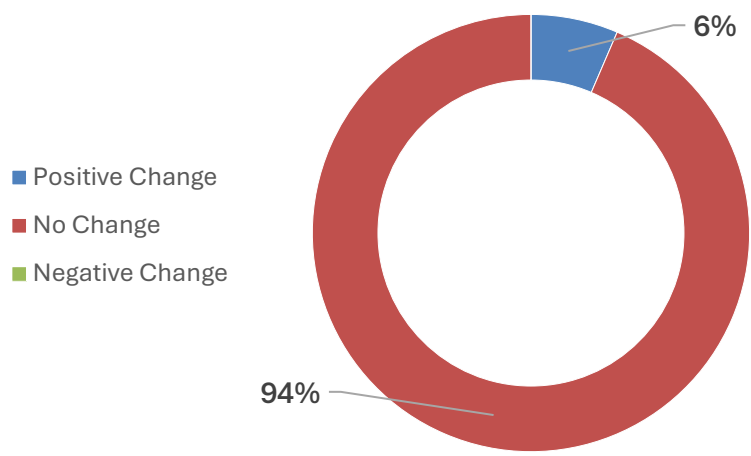
Have you seen a change in your ability to care for senior persons or other family members who require special support since becoming a homeowner?



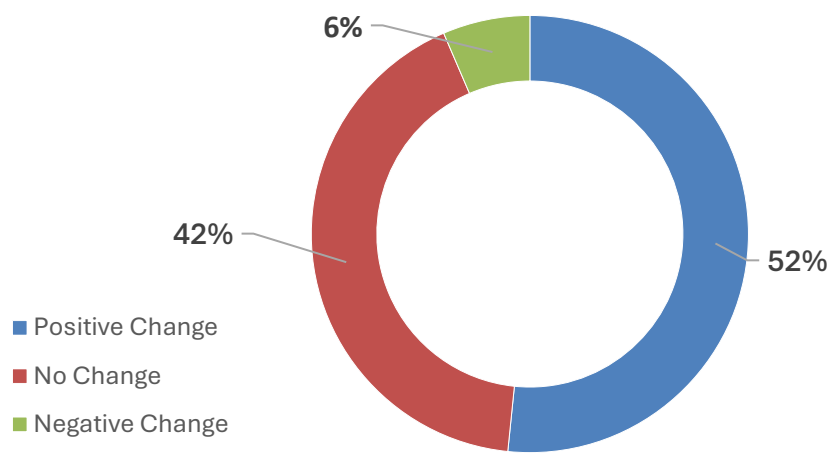


SURVEY RESULTS

Have you seen a change in your access to healthcare since becoming a homeowner?



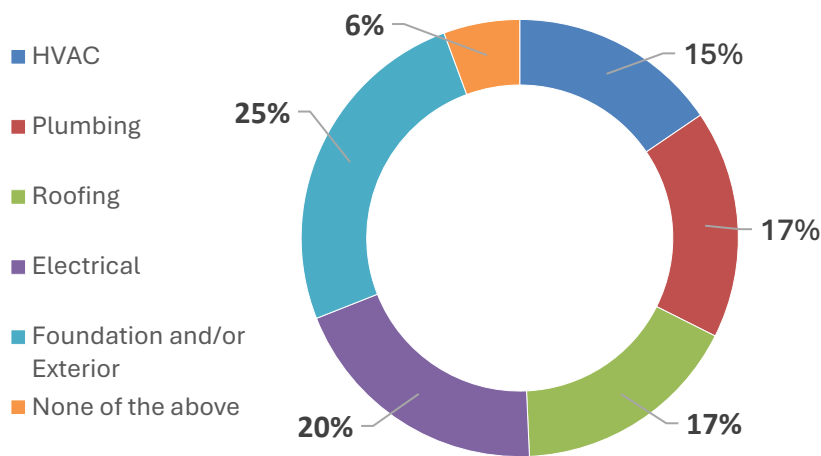
Have you seen a change in your psychological stress?



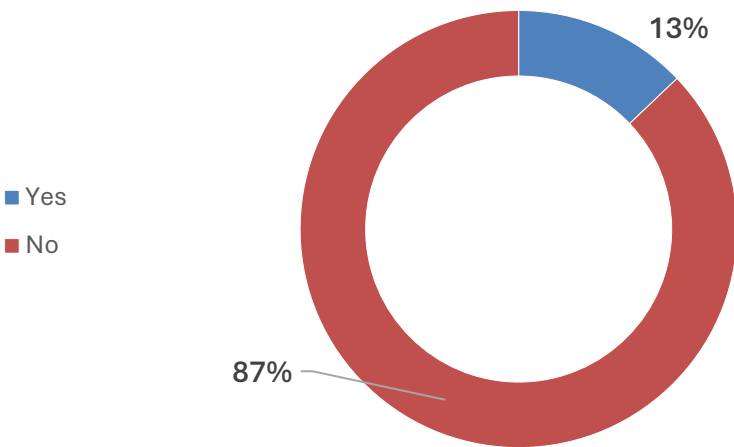


SURVEY RESULTS

Which major systems are in need of repair in your home?



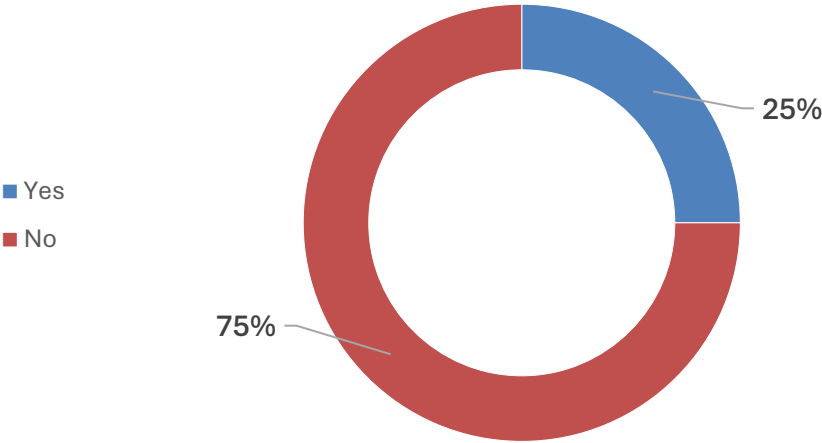
Are you aware of any grants, nonprofit, or government funding options in your area for home repairs?



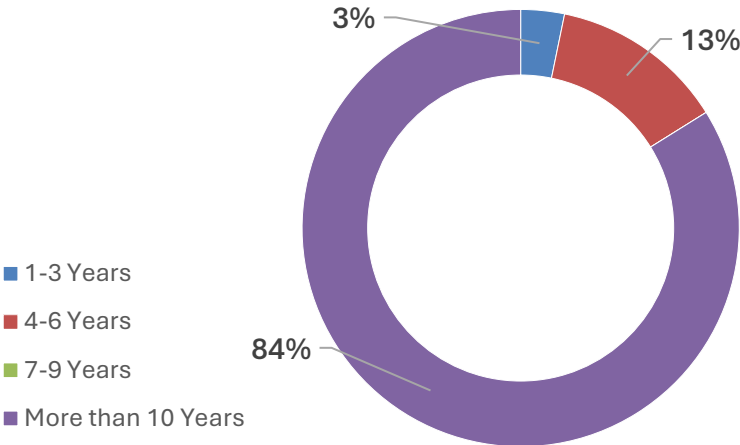


SURVEY RESULTS

Have you been able to access any of this funding? (branch from previous)



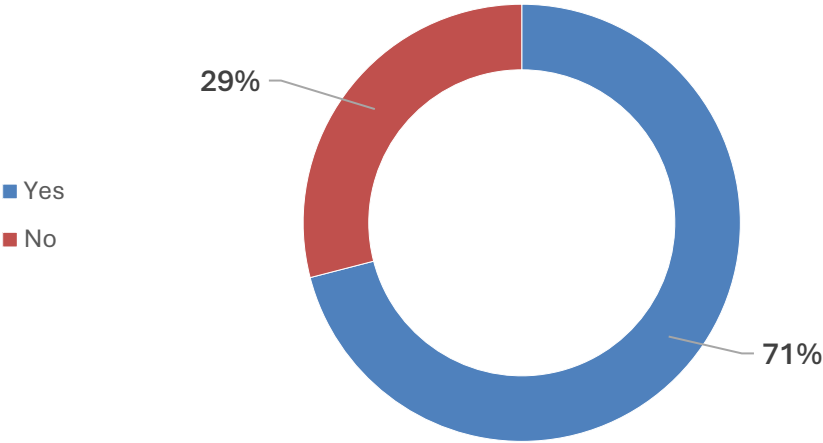
How long do you think you will live in the home you now own?



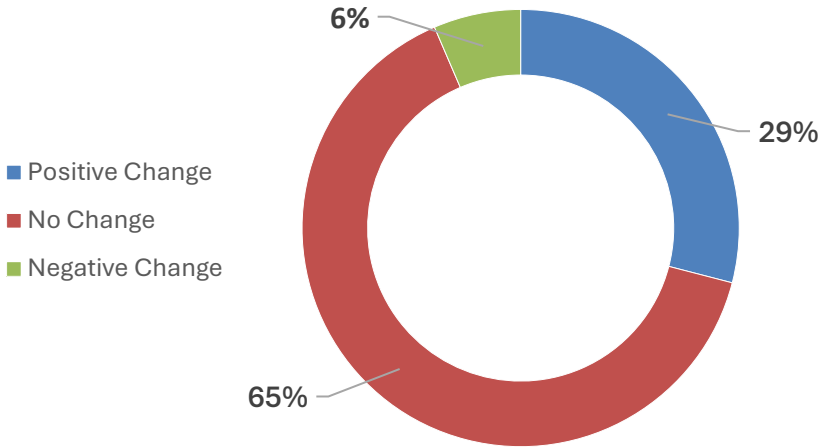


SURVEY RESULTS

Do you view this home as part of your retirement planning?



Have you seen a change in your neighborhood/community involvement since becoming a homeowner?





SURVEY RESULTS

Homeowner Open Feedback



“ We need help with the **repairs** to the house. Some issues existed before we moved in.

“ Well just have to say having to do a lot of **repairs** in the home

“ It motivates me to try to **improve** my house for my own peace of mind

“ I'm thankful for our home just don't have the finances to do **repairs** that are needed