Art of Failure

The exhibit opened on Sept. 15, the eighth anniversary of the Lehman Brothers collapse, and runs through bonus season

"Capitalism has to forget these failures in order to continue." —*Mandiberg*

40 Rector St., New York Since 2008, artist Michael Mandiberg has collected logos of fallen financial institutions. The insignia are meant to represent power and stability, he says, "and yet they are quickly erased from our collective memory." He used a laser cutter to burn the designs into used finance books he bought for as little as $1—"one step from being thrown out." The 527 books are on display in a vacated Lower Manhattan office, in a work titled *FDIC Insured*. —*Ross Kenneth Urken*

After the exhibition, the books will sell for $500 each

looking to lend. **LendingClub** and **Prosper Marketplace** popularized this approach for consumer loans. Platforms like RealtyShares, **LendingHome**, and **Patch of Land** do something similar for real estate.

For riskier ventures, such as building new homes or buying, renovating, then selling existing homes, investors are finding quick backing that can be difficult to get from banks. Of course, faster isn't always better: The well-oiled mortgage machine of the mid-2000s made homebuying a snap, with disastrous results.

Most crowdfunding sites cater to investors and developers, not everyday homebuyers. Still, the ease of fundraising through nontraditional lenders could be a warning sign, says Erik Gordon, a law professor at the University of Michigan at Ann Arbor. "Whenever you see a big difference between the terms on which you can raise money in one market vs. another market, something is wrong in at least one of those markets," Gordon says. "It usually is the market with the least experienced players, and they usually end up wishing they hadn't played."

Handy funding comes as house flipping is undergoing a resurgence. In the second quarter of this year, 39,775 investors bought and sold at least one house, according to Attom Data Solutions. That's the most since 2007. Sifakis says he's borrowing money at 14 percent per year over two-and-a-half years.

Builders are also availing themselves of money from the internet. Crofton, Md.-based **Caruso Homes** used RealtyShares for new homes in Raleigh, N.C., and Washington. Wall Street isn't interested in small and midsize deals to finance single-family developments, says Jack Haese, Caruso's chief financial officer. That makes crowdfunding a better way to fund some of the company's projects.

So far, defaults are low for the lending platforms. But the companies are in the early stages. Patch of Land says it's originated more than $180 million in loans, and RealtyShares said it's raised more than $200 million for real estate deals. LendingHome won't say how much it's generated—the company started financing individuals only this year. Those totals are peanuts compared with other online financing platforms such as LendingClub.

Jeff Bullian, a Boston-based consultant, has put his money into about 30 deals on RealtyShares and in a handful of others on different websites. He says he invests an average of $10,000 in each one for returns of about 10 percent to 20 percent. Only one has gone bad so far, he says. The platform, which Bullian declined to identify, went to bat for investors so everyone could get their money back along with a small return, he says.

The U.S. Securities and Exchange Commission requires that individuals who want to lend through the sites meet certain conditions, such as an annual income of $200,000 or a net worth of $1 million. Minimum investments are generally $1,000 to $5,000. The companies say they're selective about the projects that can be financed through the sites. Of the prospects brought to RealtyShares, only about 3 percent are selected to be listed, says Chief Executive Officer Nav Athwal. Patch of Land generally requires borrowers to provide personal guarantees and to put at least 20 percent of their own money into deals, according to AdaPia d'Errico, its chief marketing officer.

Sifakis, the Florida flipper, sees the crowdfunding sites amplifying his buying power. "The amount of money you can raise isn't limited by anything but their investor base," he says. "And the investor base is growing and growing." —*Heather Perlberg*

The bottom line Online lending services make real estate deals faster and more flexible—which may prove a mixed blessing.

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