Man: Welcome to the REI diamonds show with Dan Breslin, your source for real estate investment jewels of wisdom.

Dan Breslin: Kirill, welcome to the REI Diamond Show. How are you doing today?

Kirill: Good Dan, thanks for having me.

Dan: Yeah, for sure. So location stamp, I'm in Chicago recording. We got our office here. I'm at my home office. Whereabouts are you tuning in from?

Kirill: I'm right outside of Boston.

Dan: Cool. So for people who don't know who you are, do you want to give a brief introduction about New Silver, what the business model is and why that might make sense for like fix and flip and rehab and rent type of investors probably listening in today?

Kirill: Yeah, absolutely. So New Silver, I'm a technologist by background. We started New Silver in 2019. And we're essentially a fintech lender. We think of ourselves as a FinTech, meaning that we have the financial part and the technology part. So the financial part is at the end of the day, we're a lender for real estate investors. Our typical client would be somebody that's doing single family residential fix and flip ground up or buy to rent type of a project. Right now we're in 39 states. And then on the technology side, what we've done is we built a pricing engine that helps us value and underwrite deals, meaning you can go to our website, start the application and finish the application under five minutes, get your term sheet, you get your loan pricing and everything else. So it's really a quick to market type of a process. And then everything else, post close, servicing everything, or the majority of things, we're working towards everything, but right now it's the majority of things are web enabled. So we try to make things convenient, kind of convenience is our North Star, if you will. And that's what we're trying to drive towards.

Dan: Cool. So let's stay on the hard money topic for people. We don't have a lot of hard money lenders on the show and we've had some in the past and we still do business with some of them. 39 states, you and I talked about the main markets that Diamond Equity, my company invests in, which is the Illinois area, the New Jersey, Pennsylvania, Delaware, Maryland, tri-state, quad-state area, and Georgia. And you told me that you're in all of those markets right now. So some of the lenders we had on the show in the past, and I'm hesitant to say that because you might take this back to your lending partners and pull the plug, but we've had lenders who would start in Illinois and maybe then they like Georgia. I have one I still do business with. He moved from Illinois to Georgia and stopped lending in Illinois. And we had another nationwide lender as well who we still do close a lot of business with in the other markets also pull out of Illinois. They did not like the foreclosure process timeline. So hopefully that won't be the case by the time our show goes live in three or four weeks. But I did want to kind of highlight the point that as we're talking now, you guys are lending in the markets where we have our offices for listeners who know who we are.

Kirill: We do. We are. And I think, to your point, I mean, things do change. Like we recently pulled out of Alabama and as we talked prior to the show, I'm not an expert on underwriting and things like that, I know enough to be dangerous, but I'm not an expert in that. So I'm not exactly sure our underwriting guys decided to pull out of Alabama for what reasons. But as you mentioned, I mean, certainly the economy is rocky and the judicial foreclosure states, some of them, or maybe many of them, I mean, it's a challenging process.

Dan: Yeah, and Chicago to Illinois market is a fantastic real estate market to be a part of. We have expensive real estate here. The property taxes are high. The rents are high. Even on the low end, the cost of the price of the house is high. They come with a nice high quality $80,000, $90,000 innovation. And I say it on the show often, there's an abundance of business in the South Side of Chicago, even in some of the highest ranked crime areas, the houses will still sell if you do them right. And I think it's an overall positive for the real estate and the city of Chicago that investors are incentivized to go in. They can flip a house and make $80,000, $90,000 on deals I'm sending out, and you're going to be hard pressed on the low end to do that kind of a profit in the city of Philadelphia. It's probably 40 to 50,000 with a little less renovation, but little less profit at the end of the day. So I think all markets offer their opportunity, but Chicago offers just a very large, I mean, it's almost the size of a country, the size of the market here. We're talking like 8, 9000000 people. So it's going to sustain and there will be new lenders and you guys are in the market and there are a lot of lenders who do stick around and love to do business here because the profits are here to be had. Enough of that, for now, I'll get off my soapbox here about Chicago and the underwriting. I'm sure anyone who was considering a hard money loan the first question they're going to ask, what is my down payment requirement and what is the interest in points on the average loan, Kirill?

Kirill: Yeah, absolutely. So, I mean, I think the one thing that we do is we're very data-driven. So we tend to have a pretty wide range in what we charge folks based on this pricing engine that I mentioned earlier and other things. But in general, I believe the typical requirements down payments maybe around 15 to 20% on the average of the total loan amount. Points I think are high ones to two and a half on the range. And our interest rate right now, I believe it's from 10 on the lower side up to 12 something on the high end.

Dan: Do you guys have like minimum loan terms, minimum payoffs, anything like that people should be aware of?

Kirill: Yeah, it's typically a 12 month term. We do like 100k I believe would be the minimum for the loan amount. Our average loan size right now, I think, is a little bit higher. I mean, if we go back even a few months, it was probably around $300,000, $350,000. The last 2 or 3 months, it's gone up to maybe around $500,000. So I think just kind of with the market as the way that it is, yeah, I mean, I think there's different project types to be had. I just want to add one thing on the lending side where we're really good is on the ground of construction. So I think we've built a nice product there and we have a lot of folks coming back to us. And I believe we're differentiating what we can do there. And we have more abilities to do things on that end. Obviously, fix and flip as well, but that's kind of where we shine.

Dan: Yeah, it's funny, I find that to be something I'm interested in going back 8, 10 years. I'm a passive investor in quite a bit of new construction industrial product around the country. And I'm bullish on that. But personally, it's always been existing houses that we've done our renovation on. I's not a limiting belief because we have such a vibrant business in that space. And it always made sense to me. But I guess I'm lacking when it comes to ground up new construction and I hear numbers like 350, 300, 500. These investors who are doing this, they must be making good money. I imagine they're not going to borrow 400 without making, I don't know, do you have any insight on their profit expectations on a $500,000 loan or more if it's new construction. Well, what should an investor expect to make on new construction for completing the project? They're going to bring a loan to you and it's going to be safe enough for you to fund.

Kirill: Yeah, look, we do have a profitability calculation that we look to. I just think in our experience and to be on the safe side with the market the way it is now, we like to advise people. I mean, we could do a loan for somebody that's doing a lower profitability than this, especially if they're experienced and we worked with them before, but we'd like to advise people to play for at least a 30% profit off of all their expenses and everything else and holding costs and all of that. Again, that's just our advice we would do alone with again, somebody that's experienced and they have a solid project and maybe it's a quick turnaround. It really varies a lot. I mean, some markets like where I live right outside of Boston, I mean, it's a fairly expensive market, as I'm sure some of the markets outside of Chicago and many other areas are.

And I think what I'm kind of seeing, again, like anecdotally, just on my own, there's a lot of ground up construction going on where the older stock is being taken down and rebuilt with a massive muck mansion. That's 5 plus bedrooms and I don't know, 5,7,000 square feet, and they're selling for millions. And I think the profit margin there is very healthy, but it also, I believe, takes some expertise to acquire one of these. You've got to find the right stock to work with. Being able to build something, this is a high end build, so I presume there's a lot of capital that goes into it. And then being able to hold onto it, because maybe there's not a buyer that's willing to put down 4 million, 5 million, that's sitting on the sidelines and just waiting for you to finish this house. I mean, maybe you get lucky if there is, but I actually know some builders locally and all of them have gone through where they built something and it's a beautiful piece of work and they're very proud of it, but it's on the market for 12 months. There's no buyers like even in this tight market.

Dan: Yeah, it's funny. I vacation in New Jersey on the coast, Avalon and Stone Harbor 7 mile Island. And we've had our eye on the properties out there, obviously, just being in the real estate business since we started going there. And we were looking at oceanfront property. It was out of my price range, personally, but I think it was $6.9 million was the asking price. And it was a year on the market. And they sold it. I forget what it sold. It was right around the 6.9. And I'm wondering, what is that builder's meditation practice to deal with the patience of being on the market for a year without a price drop. And I was able to kind of take a lesson from that. We were spoiled during COVID-2020, 21. It sells in 4 days, a week, 2 weeks. And then like the market changed in 22 and 23. And all of a sudden we're all sort of panicking a little bit if we're getting up to like 21 days or 30 days on market. So having some patience, this is what a more normal market operates a little bit like it does right now since I've been in the business since 2006 where it's 30 days on market, it's 45 days on market, you're going to sell it. That's not the year that the $7 million property took to sell. And maybe that's how the expensive price points work. I don't know. You have to have that kind of patience to really... It's not a discount product.

You're looking for a very unique buyer to fall in love with that location, the build, the design and everything else.

Kirill: Yeah, no, I think you're right. I think, yeah, if we're going back to COVID or even pre-COVID times right before COVID where things were just kind of flying off the shelf, yeah, it's definitely different now, but I also just keep getting blown away by how profitable the real estate business could be for the people who are doing it right and have a process around it and are kind of thoughtful about the whole thing and have the patience, as you mentioned. Prices are continuing to go up in most places, I believe still. Even after the rates are what they are, and it's been 2 years of rocky roads, but we're still seeing healthy profits and things are happening.

Dan: Yeah, on one hand, I'm watching the inflation figures and I'm like, oh, man, we need the prices to go down. But then on the other hand, I don't want the prices to go down when I'm holding the bag on a dozen properties or more. So I want the lower interest rates to stimulate things. So I'm like finding myself sort of fighting both sides of that. Oh, I want the prices to go down, but not the real estate prices, but the real estate prices are exactly what's keeping the inflation high at the moment. And I'm okay with that because we're still all making money. The music continues to play. Kirill, do you have any insight? I don't know, in the last 6 to 12 months around the country, just by the state, where are you seeing the predominance of your business grow. These $500,000 average loans, where are they taking place right now?

Kirill: Our biggest state for originations was Florida for quite a while. I think it was Florida followed by Connecticut, followed by, I want to say... And then this is going back to maybe 5, 6 months ago. Things have changed since. I think it's still the Southeastern. I mean, we're really good along the eastern seaboard. That's where the majority of our business overall is. So it's really the southeastern states. But now as kind of winter turns to spring, we're seeing some pickup in the northeast a little bit as well. We've had quite a few deals come up in California, which at one point California, and it's still a very expensive state, where I think we're a little bit better inland California versus like the very coastal, the most expensive areas. I don't know that there's a ton of opportunities in the coastal areas at those prices.

Maybe there are, I'm not too familiar, but a little bit inland where regular people live, I guess, that's where we operate. So yeah, we've seen stuff there, the Eastern sort of the Northeast as well as the Southeast are continuing to perform fairly well. Midwest, we've definitely seen, we've done a lot in Tennessee recently. And certainly it's not a secret. I mean, I think a lot of places in Tennessee saw a lot of growth over the last couple of years, but we haven't traditionally done a lot there, but in the last 6 months or so, we've seen an uptick in that state.

Dan: Yeah, and Tennessee and Florida are both interesting states with no state income tax. So I think they've had and are going to continue to have that as a main draw to go to that market. And I think you start at a certain size and the growth can be more impactful to the bottom line, I guess is what I'm going to say, for an investor who buys one house, two house, three houses and holds it. And maybe Florida had more inflation along the way and it feels like a little bit more of a risky market if I were going to buy, and I did just buy one too a year or so back for myself, a riskier market to hold the property long term, especially if I factor in the cost of insurance in Florida. It's a big problem, it's expensive, and it's killing a lot of deals.

Tennessee, I don't know what the insurance is, but it does not have that reputation amongst my national commercial real estate investor friends as being a major problem to get property insurance. So Tennessee also had lower price per square foot in a lot of neighborhoods, a lot of areas, a lot of the cities where your ability to get in and cash flow and hold that property might have that long term potential. So I'm bullish on Tennessee. I think Tennessee is great market to do business and we've done well there actually on several deals that we did in the last year or so out there. Let me switch gears again back for the underwriting process. If anybody was going to use New Silver, what is the timeline to get to closing? Because a lot of times with the hard money lender, if I'm on the selling side of a deal, I have some hesitation anytime there's a hard money loan funding that buyer. I'm going to ask them first, hey, do you have like the cash and you could just go refinance, get the hard money? Sometimes they can and that makes their offer more desirable in my eyes if I were going to accept it. I would take a cash offer, oftentimes, $5,000, $10,000, $15,000 less than a competing hard money loan offer because it's not really a guaranteed sure thing. They need seven days. They need 14 days before they can give you the green light. And the hard money lender can and will step in and say, no, we're not going to do this deal you need to renegotiate the price. And now I'm back at the same price I should have taken the other one.

I don't know if discount's the right word, but we're definitely looking at the cash offer with a lot more confidence. Going into a hard money loan, knowing how fast they can close and knowing how fast there's a solid loan commitment on the line is important for me as a seller when I'm evaluating a buyer. And I think it's important for anyone who is listening, who's a buyer using hard money. How do we strengthen the offer in some way when we're communicating that to the seller? And I guess you could package the answer directly is how quick can you close and how quick can you give the commitment?

Kirill: Yeah, so on the commitment side, I mean, we say we provide a term sheet in 5 minutes and we close in 5 days. Now on the term sheet side, that is 100% of the time. If you're conditionally approved by our software, this is what I'm good at. This is what I was involved in originally and continue to be involved in is the software side of things, the technology side of things. So we built a pricing engine that basically tries to evaluate the borrower and the asset, tries to figure out like what's the value today which is much easier and then what's the value after the repairs are done and provide a number and if the borrower, the potential borrower is happy with the number that they see on their screen, they can go on and essentially go to like a full term sheet. That's a conditional approval term sheet. That takes 5 minutes or less. We do so, and we have closed in 5 business days. We don't do that every single time. Now that usually is from what I understand from our team, that's usually because of other parties involved.

Like we could be ready to close quickly. We do require an appraisal, but not in every case. We're able to waive the appraisal requirement upfront and we could do the appraisal post-close. So we have that ability if we need to close really quickly and if the property is right. So yeah, just to answer your question, I mean, we can't close as quickly as 5 business days. I don't honestly know what our average is today. We never extend an offer, a final commitment, unless we know for 100% that we are ready to close this, we're ready to fund it. So, obviously not every single person, not every single project gets approved. I don't think I've ever heard of us telling our borrowers to go back out and renegotiate price. If we decline somebody for some reason, whether it's a project or their personal background or something like that, then we would typically just keep it at that and they could look for another partner. And we help people too, I mean, we have relationships and if it's something we can do, if it's maybe the project itself is outside of our wheelhouse where we focus on single family, one through four family. We've done a few smaller multifamily, but that's not really our wheelhouse. But we'll go out and help people find it. So we try to keep the relationship. We try to do the best we can to accommodate folks. They come back to us or spread the good word about new silver.

Dan: I think we covered from the borrower's perspective. So maybe we could talk about the business model a little bit, because I think that part of the reason I was excited to do this episode is that you guys have this unique model and the model is there's blockchain packaged into the business, which is interesting. I think you and I were talking beforehand, it may not necessarily be completely necessary right now for the way the model is set up, but we were talking also about people coming to the table with cash who want to return on their money too. And that would be part of where blockchain would be interested. So I saw the website, I read up on it, blockchain, cool. So in my mind, I envisioned like buying crypto or something. I go in, I load $25,000 and I get these tokens and then they're going to like pay out an interest to me. Kind of a passive investment was how I envisioned it. That wasn't exactly how it's set up, but maybe you could touch on what would be the opportunity if someone's listening and they're more interested in New Silver because maybe they can passively participate in some of these deals.

Kirill: Yes, no, absolutely. So yeah, I can touch on kind of the broader blockchain and why blockchain, whether it's today or 5 years from now, and then talk about our opportunities to invest with New Silver. So part of our capital source does come from the blockchain. And what that really means is this is not technology that we built ourselves. And just to kind of give maybe a broader overview of the blockchain. Most folks are probably familiar with Bitcoin and Ethereum and things like that. Blockchain is essentially a collection of nodes or computers that talk to each other over the internet and value can pass from one wallet to another. This is all done in the digital cryptographic format, meaning that your wallet is a public key and you have a private key that allows you to execute transactions, but the other people in the network are not supposed to know what your private key is. Your wallet basically is your address. If I want to send you value in the, let's call it, I don't know, Ethereum, if I want to send you Ether, I can, knowing your wallet address, I could send you whatever amounts that I want and then there's other things that can be done. Now that's one part of blockchain.

The other part is sort of a smarter way of doing business and there's things called smart contracts, which are essentially programmed resources that have certain rules. So think of it as like a business rule. If A happens, do B, that kind of thing. And those contracts are immutable, typically, so that once they're deployed, first of all, everybody could see exactly what they should do. There's security audits, code audits, things like that. And then they shouldn't be able to not do what they say that they do. Right now in reality, there's hackers, malicious actors, there's bugs and flaws and code and all that. So what they're supposed to do and what they actually do, sometimes there is a variance there. But nevertheless, I think it's come a long way, Bitcoin was in 2011, I believe, when it was born, basically, if I'm not mistaken. So it's been over a decade at this point and things have really come a long way.

I mean, now there's many different blockchains. There's first generation, second, third layer, they call them layer one, layer two, et cetera, but blockchains build on top of other blockchains. And there's a lot you could do with it. I think blockchain holds a huge promise in my view, specifically for assets and real estate being the biggest asset, I think there's huge opportunities. Is it today that all of these things are available? Probably not, because real estate, as your listeners probably know, I mean, it's a legacy industry. It's been operating since we learned how to build houses and our modern way of like title and all that has been has been invented and every county, every town has their own little something. And I think even to this date, we don't have digitization of records across the board, and blockchain is like the next step. So we're not even at the internet age everywhere, and now we're kind of taking the next step. But where I think blockchain really could help is settlement of value, for example.

And this could be true for any asset, like it could be stock, it could be debt, it could be real estate. But just one use case that I think some folks tried to do and it may be in some pilots or some small use cases somewhere it's definitely not mainstream yet. But for example, closing on a real estate purchase is a expensive time consuming process that takes multiple parties and multiple days to settle basically for the deed to be recorded and all that. With blockchain, theoretically, you could do it much faster with the help of smart contracts and ability to send value. So for example, if I'm the owner of a house, that could be a token sitting in my wallet, an NFT token, which could describe, this is the property located at this address and then whatever the deed would describe. And that would be my legal contract to this piece of land, piece of property. And if I'm selling it, I would receive value or there would be an escrow that's a smart contract, most likely, value would be sent into that, I would send my deed into that and that takes minutes. And then once the smart contract knows that everything that needs to happen has happened, it's going to release, the value will go to me and the deed will go to the buyer. So that could literally take minutes or a very short amount of time.

Again, the laws and the facts on the ground today do not really necessitate this to happen in the way that I described in a couple of minutes here. Like this will take tons of technical, legal, and other work, but I do think at some point that could happen. And people talk about, for example, another interesting use case is with stock trading. I don't know if folks know, but when you're buying and selling stock using any platform like, I don't know, Schwab or any platform, Robinhood, when you buy equities, this is something that's done in an electronic exchange, and then it takes like 3 days at this point for them to settle. So for your broker to get the actual equities in their account. I'm not even sure, I don't think that they deliver them in paper format. I think it's all electronic, but they still deliver them. It takes three days to settle. I think in some of them, they're going to T plus one now. So it may take one day to settle, but with blockchain, it could be minutes to settle.

Once this is exchanged, and then the other big thing is you get rid of a lot of the intermediaries too. So there may not be a need for title insurance in a real estate transaction, for example. If you have an automated way that people trust and believe that this works the way it's intended and everybody kind of uses it and it's programmatic. It's code that was written once and, you know, companies supported developers are involved, whatever, but there's not necessarily a need for title insurance because if I have the token in my wallet, well, nobody else can physically have that token, that's impossible, because only one of the kind of token is allowed on this blockchain. Whereas with a traditional title, I don't know the intricate details, but from what I understand, there is that, again, the time before the recording and if it's recorded, but then somebody else comes in and says, hey, no, this is my property.

Well, now you need title insurance so that everybody can be made whole and the transaction could be reversed or people can get their money back. So some of the intermediaries can be removed. And I think that removes a lot of the cost that you and I and everybody else listening probably pays today when they do transactions and that could potentially save everybody money and lower the cost of doing business. Now, so hopefully that gave you like a high level over here. I mean, there's thousands of use cases probably from big to small. I mean, these are probably some of the bigger ones, maybe some of the most challenging ones to implement. There's smaller things. People are already using blockchains. For example, a company called Ripple, they've been doing this for quite some time, and they've partnered with Western Union and other sort of money transfer agents. And there's blockchains being used now to send money by these companies across countries.

There's a bunch of other use cases that are actually live now as well. We may not even know about some of them because they're kind of in the background. It's the same thing with us. So we've partnered with a company called Centrifuge, and they've built their platform to essentially tap into blockchains and do many different things. But the core of it is that the blockchain enables investment into a securitized pool of loans. So we have a private securitization is the closest example that I could put on this. If you think of sort of an MBS securitization that happens in the public or private markets, I mean, they're kind of similar. We have a trust, we have a trustee that kind of oversees the whole thing. We have different roles. And then there's senior investors and junior investors, two tranches.

So folks or organizations, institutions can invest money into this pool of loans that New Silver originates and earn a return. Senior earns a fixed return, junior earns a variable return. And then we also have a fund we call New Silver Income fund for folks that don't want to deal with blockchain, which is, I think, the majority of folks these days, we basically take care of all of the technical details. And if you want to invest in that pool of loans, we'll take US dollars, convert them and do all of the stuff, hold your tokens for you. And then when you want to pull out, we'll sell them and return your funds. And it's an income fund, so it's a quarterly income payment. So your principal doesn't change. You just get an income return. The fund has actually done really well. It returned a little bit over 17 percent net of fees last year. We've been doing this. The fund has been around for about two years.

Dan: So I'm curious, how do you get 17% if I'm only paying 10 to 12% interest in a couple points? It's like there's not much money left over for a new silver if I hit 17%. Are you guys bringing in alternative financing? I think before you had mentioned, maybe it was before the show started, 25 million in loans. Is that like 5 million from the income fund and 20 million from a lower interest source to kind of get some of the arbitrage?

Kirill: Yes. So it is a leveraged fund. So we do use that, which comes from our partner that's a crypto DAO, decentralized autonomous organization. So it's a decentralized organization managed by its members, they vote on things, etcetera. So it's a different process I think from going to like a bank or an asset manager or someone like that. And yeah, I mean, basically this is what's left over between the cost of capital on the senior side and what we sell the loan into the pool at and then the percentage that I mentioned, that's what's left over for the junior. So the fund invests into the junior piece and that's where the majority of the yield is.

Dan: So the junior piece is coming with another leel of risk on there than the senior?

Kirill: When we lend capital at New Silver, the borrower puts in, as I mentioned earlier, average 15%, 20% or so of the loan amount. So that's their equity, and then the junior, and then the senior. So junior is essentially like the second law. So the borrower equity would be the first, loss[?] junior would be the second and senior would be last. Of course risk comes with the reward and that's why the returns have been nice.

Dan: Do you expect similar returns through this year?

Kirill: Yeah, we just closed Q1. We had a four net return, exactly 4%. So that's 16% at this rate, at 16% annualized. We're hoping to be around the same. I think it's reasonable to expect around 17% return like we did last year.

Dan: Do you happen to remember the exact amounts for each quarter in 23 to give us context whether Q1 24 was up or down?

Kirill: I do not remember. Unfortunately, we did have one quarter that had a little bit of a lower return, I remember and that was because the junior wasn't leveraged enough. We just had a lot of junior capital come in and there wasn't enough usage on that in the quarter. So the return was a little bit lower and I don't remember if it was the first or the second quarter, but I can get you that information. Yeah.

Dan: Okay. Yeah, it's interesting. So we talked about buyers coming to New Silver for hard money loans because it's quick to apply and we can get to settlement quickly. And then we talked about investors coming in on the other end of the transaction in a sense, which is interesting because a lot of times, like I pay my lenders two points and 10% interest. It's safe. It's a first position mortgage. There's no other leverage coming behind it. I don't care if I make 100 grand on a deal or lose 100 grand, which I've done on deals, the lender's getting his 10% interest no matter what. We're coming out of pocket and I can't say it's guaranteed, but it comes with my implicit personal guarantee and I come out of my own pocket to pay them off with the interest if I have to. But if you throw in the leverage factor there to get you to that 16, 17%, I'm sure we've piqued some people's interest on the call. So regarding the blockchain use in real estate, I just want to touch on that for a few minutes if we could. So here's one of the things for me that everything boils down to. Tokenization, meaning like, it's akin to shares in a company. I'm sort of buying shares in a company. We've already had this. We've had it forever. It's nothing new.

We attached a new name to it, getting around currency creation laws. Normally, I think you have to have a very strong military, some land, and a government in order to put together a currency, and Bitcoin came and sort of shattered that. Now there's a list of I don't know how many currencies that are out there. But for the sake of real estate, there's another company that we did a case study on a few months back, kind of like crowdfunding platform and they're using blockchain. So you're buying into this $400,000 property, somebody's managing it, there's going to be some payments coming out according to the number of tokens that you own. It's no different than there's a thousand shares in a company. I bought 200 of them, I own 20%. It's no different than that other than the clearing and record keeping of the payments is going to be a lot more seamless. And I can probably scale up from a thousand to 2000 to 20000 to 10000000 and sell them off in smaller pieces and then do investor relation among all of these 10,000, 20,000 million investors that are in my token.

But what I noticed that I didn't hear anybody talking about is this all really still boils down to trust, Kirill. You put your money in PNC Bank. Why do you do that? You may not consciously be aware, but you've chosen to trust them with your money. And you don't have to trust them. You don't have to trust them if it's a quarter million dollars or less. You have to trust the US government in that instance to cover your loss under FDIC insurance at 250. But if you got 300 in there, that other 50 is an implied trust of PNC Bank. And if I go into a Charles Schwab investing account and I want to buy shares of Google, I've made two choices, two investments of trust, if you will. One in Charles Schwab being a platform that my money will be there and they'll actually hold my share of Google that I bought.

And then a second implication of trust is going to come in where I trust that Google is going to continue running a company. They actually have the money in the bank they say they do on their reports to the SEC and so on. And that's the same thing you're going to run into in crypto in a real estate context. You have, I think it can sound like from the outside, I know it has sounded that way for me, like, oh, we'll have tokenization, you'll click a button and you'll just get money for settlement. Like, oh, no, you're going to go through a process and the person who's going to give you the money is going to see if they can trust you enough to make the loan, which is exactly what you're doing in your underwriting process. And so this all still boils down. It's like REITs in the 50s and 60s and 70s, they were nascent. They were just like blockchain and real estate now.

And then the trust grew and through the 90s and 2000s, REITs were a fantastic place to have money. When the rates went all kinds of ways in the last little run, the REITs maybe a lot of them didn't really pan out so much. But you still had to have the same trust in that specific REIT like you would in the share of Google or like New Silver is going to have in Dan Breslin if Dan's borrowing $600,000. It all boils down to trust. You got to run a company and you got to be a trustworthy component of the economic machine in order for this to work. It's not like free money falling from the sky, which during this Bitcoin rise over the last decade, there has been what seemed like a lot of free money falling from the sky.

Kirill: No, I agree with you completely. I think the promise of Bitcoin and other cryptos, and now just to take a step back, we're not a crypto company. We're a fintech. We think of ourselves as a technology enabled lender, basically. So as you mentioned, we certainly go through the fairly regular process of underwriting, though tech enabled. I believe we do things faster, more efficient, more convenient for our borrowers. But at the end of the day, we still have humans, we still have a company and all of that stuff. And then on our capital market side, the blockchain is really just a technology enablement. When people invest, these tokens are not like Bitcoin, they can't be moved or sold or any of that stuff. They're just there to represent your share, your investment into the pool of loans. That's all it is. So I think just to kind of clarify, but on a theoretical point, I definitely agree. I mean, I think crypto, as we all know, has gone through its own challenges over the years.

There's been bear markets. There's certainly been fraud. We all know the FTX Case hat was in the news recently with the founder getting sentenced and all kinds of stuff going on. I don't think that we're in that day anymore, at least in the United States of where you could just throw something on the blockchain and call it, this is a crypto, this is a blockchain company. I think that you have to have something behind it. You've got to have a business, you've got to have trust, though the premise of blockchain and I think there's still plenty of people that believe it and I believe it to a degree. I'm a bit more of a skeptic now, after all the different things that have happened through the years, but I still believe the tech is solid. Like down the road, we're going to see more and more of it. People are going to use blockchain as their backend operations, business to business type of stuff that we as consumers will never know is even out there. We're just going to use the app or whatever, and it's going to be a blockchain backend to it.

But I'm just going back to the premise, which was trustless value movement. So the idea is that like, you have two wallet addresses, we don't know who we are, I just want to send you value and I'm confident that if I type in your wallet address correctly, you're going to get it. And then you're confident the reverse of that. So that simple process is perhaps workable, but I guess to integrate that into the real world where you have all of the regulation, all of the complexities of, again, thinking about real estate and certainly other sectors, having the trustless anonymous relationship does not work. I think you've got to know who the people are. I think aside from technology, there are humans. And I think the industry, the blockchain industry also has woken up to that. I mean, I was just reading about this company. I don't know much about it, but they've actually created a newer way of... It's like, I think basically at the end of it, it's like, I'm not going to say the name because I don't want to promote something, I don't know.

But it's essentially like a hedge fund on the blockchain. So you buy their token and they essentially use some kind of arbitrage. They buy perpetual swaps on blockchain against another currency and then they return. They say they return something like 30% yearly yield, some 30% or something like that. I don't know how long they've been around again. This is something that actually works, but that immediately made me think of the issues that other blockchain companies have had where, it's almost like, hey, like it sounds great, you buy a token, you don't know what's going on behind the scenes. Is it a pyramid scheme? I mean, are they giving 30% to the next guy if you're the last one out, there's nothing left? I mean, we don't know. I mean, this new company I was reading about seems to be more transparent than the last ones that went under. As to your point, I mean, I think everybody should do their own diligence. And if you the investment that doesn't show like, there's people behind it, you can't call anyone, I would not advise doing that investment. I mean, who knows what that is.

Dan: Yeah, blockchain is like it's a technology, Kirill. And I think that a lot of perception or judgment was suspended by a lot of people because this technology came with money attached to it, because we could see the price of Bitcoin going to astronomical numbers just like I think it's doing right now. I honestly don't follow the price. I think it came with more controversy and more pop culture appeal than we might have seen when other new technologies were introduced so if we go back to the mid 90s we had the dot com bubble and the technology was, holy crap, we can get on the internet and it's going to change the world. It's going to do all these wonderful things. And we had the bubble and the bubble exploded. That doesn't change the fact, now, I'm sitting here 25, 30 years later and I've spent an inordinate amount of time designing my website and having a dot com for multiple avenues of our business. And I still use that technology to make a lot of money from that.

It's almost like DocuSign, blockchain in a sense. And DocuSign may not have had this same cultural appeal and allure that Bitcoin had, but how much better is the world now that we have DocuSign? We are actually, in a sense, executing contracts, six-figure contracts and more, 100% on DocuSign. And the laws have had to change in certain instances for them to be considered enforceable contracts. So it's along those same lines. It's dot com technology. And then we kind of have like docuSign technology and here's the blockchain technology. And I think, yes, there's a place for it inside of viable operating business models, just like we've had all the way long. It's like pets.com, however many other dot coms that went bankrupt immediately, there was no viable business model. There were no high caliber decisions being made by a group of talented people like there were at Amazon.com through the 90s that still exist to this day.

They had durability because there was a business model and smart people at the rudder. And so maybe kind of as a conclusion here before we shift gears to the end of our episode, I would just say, if we're going to invest money in something or someone, we better be cognizant of the caliber of decisions that are being made, ideally, in my opinion, by people whose faces and names I know, and I can make a call and get in touch with them if I'm going to invest money before I send that money off. And I know I can't do that with Google or Amazon or litany of stocks, but I don't put my money there. So yeah, that's my latest observations on its blockchain technology. It's effective. It's going to be useful in a variety of things. I don't know if it deserved the amount of fanfare that we gave it over the last four years, but I think that's come with the fact that Bitcoin had a price and we could see that appreciate and it became a bit of a gamble in real time versus simply a business model.

Kirill: Exactly. I think it was driven by the speculative markets and people making money, what it seemed like people were making money all around on this stuff. So yeah, I think there was definitely more than one bubble in this. But I think if we kind of look back to like dot com, right, we had the 2001 bubble with pets.com. I'm pretty sure a lot of companies haven't come back from that...

Dan: That's right.

Kirill: So the same thing here. But at the end of the day, DocuSign and other great businesses, tons of great businesses, Zoom that we're talking at right now, were born and they used the infrastructure. So I believe the same will happen with blockchain. I think the onr potential detriment that's kind of making it more difficult is the financial component of it. Because there's value in money being moved and there's a lot of regulation and there's a lot of danger in that. So I think that it will find its place. I think it was too soon. And then I think I do think that in the near to medium term, we're going to see more and more of it. Nice.

Dan: So, Kirill, you're an interesting guest coming from more of a technology background than a real estate background. So I'm curious if you have one or two books or maybe podcasts or some other source of information you might recommend to me in the real estate community here listening in.

Kirill: Good question. I wasn't ready for that one. As far as podcasts, cause that's really what I've been in. I'm a news junkie. So I think the last, I don't know, 6 months, I've spent a lot of time listening to various news analyses of macroeconomic and sort of global political things that are unfortunately going on these days all around the world.
So I mean, I listen a lot to the Economist magazine. They have both podcasts and sort of an app or a paper version if you like. Yeah, I mean, that's really what I've been in. I haven't read a book in the past 6 months to be perfectly honest with you. I've been thinking about what is it that I should read and I've actually picked up a copy of a business book called Built to Last. So that one I read many years ago and I picked it up and kind of looked through it just to remind myself and it's great stuff. So I think that's one of the books that I remembered from again like a decade or more ago that I read it. And I think it's so relevant today. It's crazy how you pick something up, years down the road. And it's still very relevant.

Dan: Yeah, I like looking through. I actually thinned out my personal library significantly. Probably 50 percent of the books are going to the donation bin. But it was amazing to have that experience. I'm kind of looking off-camera at some of them now that you described where I pick up some of the books I read and the thing that came to mind for me was, wow, these were the things that helped me build the life that I have today. And I could see some of the things I underlined that it's just how I think it's just normal operation now. But it's like, wow, this is where it came from. Like I can't believe it. Because if I think way back, there was a time when I didn't know any of that and I didn't have the results that were in my life. So crown jewel of wisdom, Kirill, if you could go back to when you were 18 years old, you were just getting started back out in the world again, everything you know now, what would you share with yourself then?

Kirill: When I was 18, I got to think back to that. Well, first of all...

Dan: 20, 21, I mean.

Kirill: First of all, invest in real estate. I'd probably be a lot wealthier now if I knew this back then. Buy Bitcoin today comes out.

Dan: Yeah, that'd be a good one.

Kirill: Yeah, but I think really, I'm only kidding. I think investing in real estate it's proven itself over the ups and downs of this country and the world in general, most likely, but specifically in the US. I mean, this is a great country. I'm an immigrant. I love where I live. I love the country. I think that people want to come to US. It's just not a place that is ceasing to amaze and there's a lot of land, there's a lot of opportunity for people to come here, build a life for themselves. And with that, real estate is needed. So I think real estate is definitely an awesome space to be in. And I think just investing in yourself, I mean, reading great books, listening to podcasts, just learning as much as possible, if I spending less time and going out to bars if I was 21.

Dan: Yeah, right? You [inaudible] be both.

Kirill: So I do think that investing yourself is super important.

Dan: Nice. So where can listeners go to get more information about the things we talked about today?

Kirill: Yeah, newsilver.com is our website. If you're interested in speaking with me personally, we can perhaps put up my socials or my email, happy to share. Yeah, but Newsilver.com, we have the lending side that you can find very quickly. And then the new silver income fund that's for credit investors that's on there as well.

Dan: Nice. And my final question, Kirill, what is the kindest thing that anyone has ever done for you?

Kirill: Wow, that's an interesting question too. The kindest thing that anyone's ever done. I don't know about ever because I think I've been fortunate to have many kind people around me but I want to thank my mom for giving birth to me.

Dan: Perfect. Thank mom. That's right. Well cool. I really enjoyed the show here today. I appreciate you coming on and sharing with us.

Kirill: Awesome day. It was my pleasure. It was nice to be here with you.

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