# NOBROKER DEPOSIT INSURANCE

Introducing a deposit refund guarantee* on select homes to promote trust among tenants - a strategic project that diversifies NoBroker's offerings to property owners and tenants for growing monetization revenue

NoBroker is a disruptive real-estate platform that makes it possible to buy/sell/rent a house without paying any brokerage. It currently serves 89 lakh+ users every month, with 64% of users in the 18-34 years range.

### NoBroker's Mission:

Removing the information asymmetry that existed in the Indian marketplace and providing a marketplace for the free exchange of this information that used to cost 1-2 months of rent as a brokerage.

### Existing Revenue Model:

- Subscriptions - Charging tenants and homeowners for personal assistance and premium filters
- Financial Offerings - Partnership with banks with commissions for each sale
- Home Services - Packers & Movers, Cleaning, Painting, Rental Managements
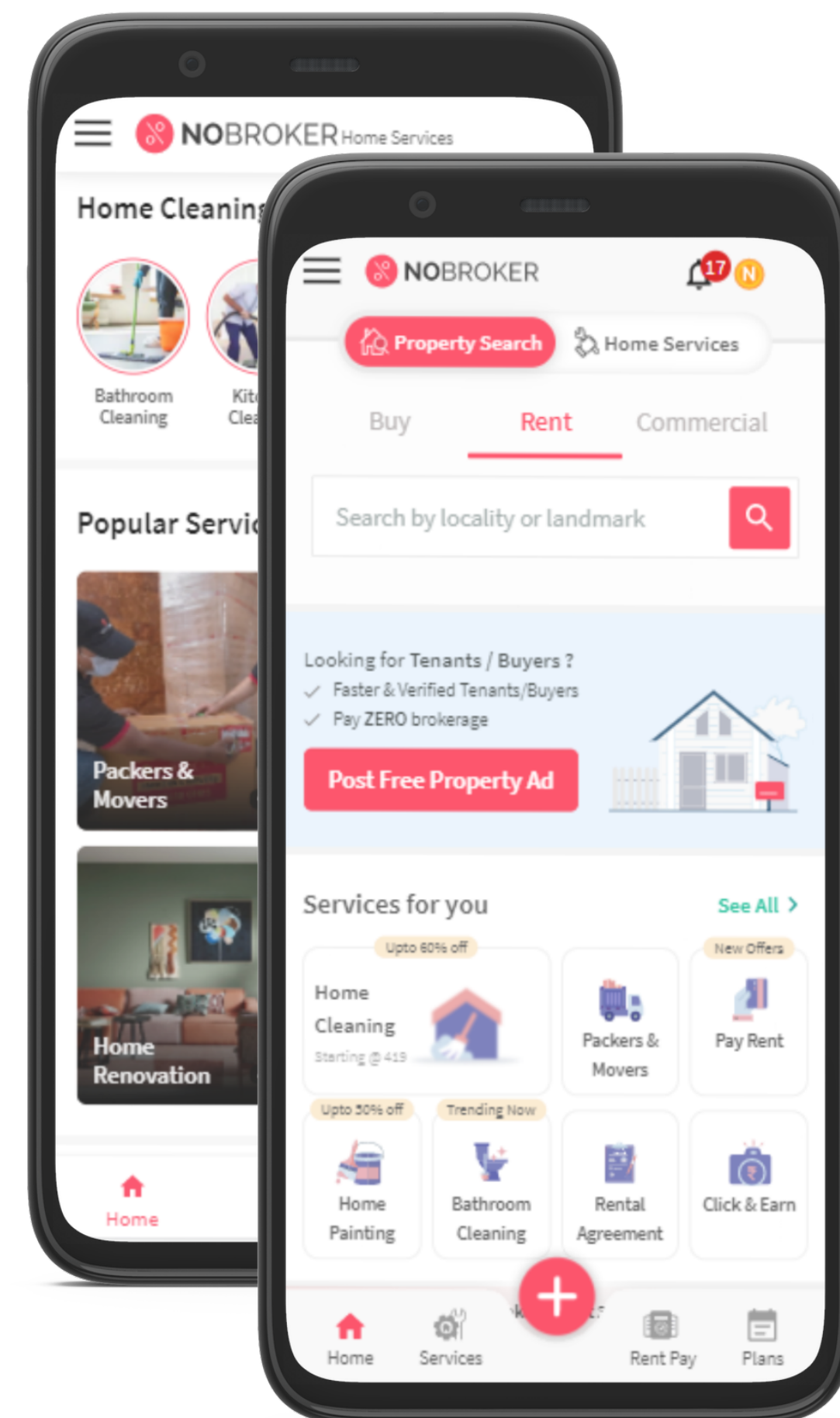
Goal: Launch a strategic initiative to increase monetization revenue for NoBroker

↑ in revenue comes from ↑ in no. of users who pay for subscription plans (who are looking to rent/let out a home) + ↑ in no. of users who require rental services (who finalized renting/letting out a home)
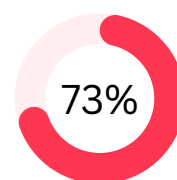
Picking up 2nd variable: ↑ in no.of users requiring for rental & moving services come from ↑ in no. of users who shift into new homes.

$$\text{Focus:} \uparrow \frac{\text{no. of tenants who shift into new homes}}{\text{no. of tenants who browse the listings on the platform}}$$
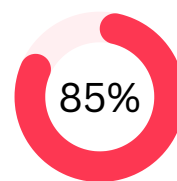
User survey insights about challenges faced:
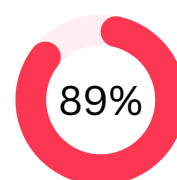
**89%** — tenants found difficulties in coordinating and scheduling site visits with home owners..
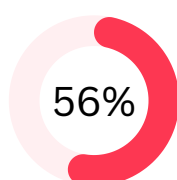
**73%** — homeowners were concerned about tenants defaulting or delaying rent payments.
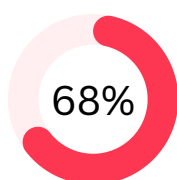
**98%** — tenants doubted the transparency of owners and are cautious while paying deposits.

**85%** — homeowners keep high-security deposits to cover the cost of potential damage to property.

**56%** — tenants felt that the security deposits were too high and didn't move ahead because of it.

**68%** — homeowners verify the tenant's background before renting out their home.

The numbers are based on primary research conducted via WhatsApp and Facebook groups with a sample size of 82 tenants in the age group of 18-35 years and 40 homeowners.

**Lack of trust surrounding the deposit amount** seems to be a major recurring pattern that lowers the conversion rate on internet platforms. Why do they find it hard to trust? It's because they have had multiple bad experiences in the past. Why did they have bad experiences? The real estate sector is unorganized without a systematic approach to regulate deposit refunds and objectively evaluate damage costs.

**The problem we're going to focus on:**
Tenants struggle to trust owners with high deposit amounts because tenants are uncertain about getting a quick refund, and owners insist on high deposit amounts to protect themselves from potential property repair costs and rent defaults.

**Why is this problem relevant in real estate?**

Both owners and tenants have faced bad experiences in the past - which makes them see through the lens of suspicion. This hampers the conversion rate when tenants are not willing to pay a high deposit (although they can afford it) because they have no idea if and when they will get it back. The homeowners are not willing to lower the deposit because they don't want to lose money if the tenant defaults on rent or damages the property. As a result, 11.1 million units (12.4% of urban housing stock) lie vacant in India, and youngsters somehow adjust with their families/friends instead of getting a place of their own.

**Why should NoBroker solve the problem now?**

Currently, NoBroker has only an 8% share of the offline real estate market. Tenants are afraid to transact online with unknown owners and prefer brokers so that there is some element of trust & safety. By solving this problem, the penetration of NoBroker will slowly increase in the offline market.

**What is the value availed to tenants and owners by solving this problem?**
- Risk elimination and more confidence to rent/let out homes
- Peace of mind to focus on more important things
- Financial security

Tenant's Perspective -
When I want to rent a new home, but don't know if I will get my deposit back, please help me ensure my money is safe so that I can find a way to easily enjoy the moving-in process without future financial fears.

Homeowner's Perspective -
When I want to let out my home but don't know what to do if the tenant damages the home or defaults on rent beyond the deposit amount, please help me ensure that I'll be compensated appropriately so that I can find a way to peacefully let my home without worrying about consequences.

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User Interview Insights - (8 tenant interviews and 5 homeowner interviews)

| Observation | Insights |
|---|---|
| 7 out of 8 tenants mentioned that they have walked away from a nice home due to high deposit during their house-hunting process. | Reducing the deposit amount will mean that tenants will find their homes faster, and leave a lot less vacancy in the market. |
| 6 out of 8 tenants said that they've always had some familiar connection with the owner via broker, friends, shared culture etc. | This highlights a bias where tenants and owners trust each other when there is an element of human touch that builds up familiarity. |
| All 8 tenants informed that they faced overcharged deduction over silly reasons which made them feel owners are scamsters. | In the absence of regulated process to oversee security deposit and damage calculattions, tenants feel helpless against owners and feel they have no choice. |
| All 5 owners said they have deducted money from deposit to fix broken taps, curtain rods etc | Home owners need money to repair damages at home. |
| 3 out of 5 owners mentioned that delay in payment was because they didn't have cash in bank and required new tenant to pay. | Home owners are reasonably poor in money management since they don't have liquid funds to pay the tenant back after he/she vacates. |

**Tenant Profile**

Priya Mishra, 26, Mumbai, Single

**About:** She is a BPO call center employee with late-night work hours. She moved from Rajasthan and is staying alone in Mumbai for work.

**Needs:** A comfortable place of her own where she can relax after work and hang out with her friends

**Wants:** Amenities, security in her apartment, and money in her account

**Motivations:** Earn money to educate her younger siblings and for her marriage

**Pain Points:** Difficult to find homes with a low-security deposit, uncertain about if she will get her money back.

**Home Owner Profile**

Jatin Roy, 48, Bengaluru, Married

**About:** He is a software techie with a family of 4 and has settled down in Bangalore for the last 15 years. He has purchased 3 flats and rents them out.

**Needs:** A comfortable living standard for himself, his wife, kids, and parents

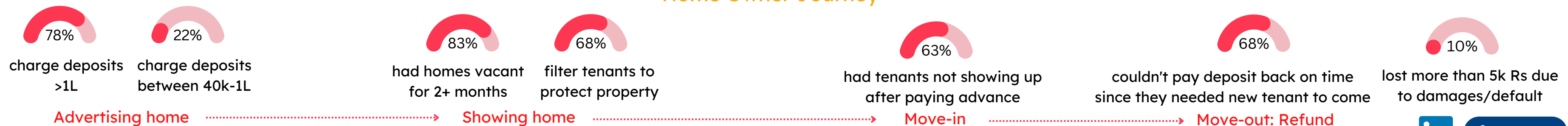**Wants:** Luxury holidays, promotion in his company, Audi car, retirement villa

**Motivations:** Save money for his retirement, educate his children abroad

**Pain Points:** Difficult to get new tenants and manage them. fears about damage to homes he has rented out, and struggle with delayed rent payments.

## Tenant Journey

| 92% check proptech platforms | 67% connect via brokers & friends | 38% look for to-let boards in area | 65% reject homes due to amenities | 98% reject homes due to high deposit | 87% paid deposit via online transfer | 13% paid deposit via cash | 78% didn't get full deposit back | 88% took more than 1 month to get deposit back |
|---|---|---|---|---|---|---|---|---|

Searching homes → Shortlisting → Move-in → Move-out: Refund

## Home Owner Journey

| 78% charge deposits >1L | 22% charge deposits between 40k-1L | 83% had homes vacant for 2+ months | 68% filter tenants to protect property | 63% had tenants not showing up after paying advance | 68% couldn't pay deposit back on time since they needed new tenant to come | 10% lost more than 5k Rs due to damages/default |
|---|---|---|---|---|---|---|

Advertising home → Showing home → Move-in → Move-out: Refund

The numbers are based on primary research conducted via WhatsApp and Facebook groups with a sample size of 82 tenants in the age group of 18-35 years and 40 homeowners

## Review System

- A rating and review system where tenants and homeowners are prompted to leave information on other experiences
- Promotes information exchange and helps users make smart decisions based on past experience
- Various criteria filled by past users to help new users make informed choices
- Reduce fraud by sending regular feedback to enforce self-correcting behavior in both tenants and owners
- An accurate database that tracks digital footprints of users across the web and identifies the chances of defaulting on rent or deposit

## Deposit Escrow

- The tenant and homeowner agree with NoBroker being the third party holding the deposit money.
- An additional filter of homes eligible for deposit escrow - with the option for the owner to opt-in
- A streamlined, automated approach to managing home deposits, vacating dates, and accurate damage estimates
- Verifying tenants with ID and credit score (with agreement that tenant is liable to pay if damage exceeds deposit amount)
- Partnership with an investment firm to pay monthly revenue on deposit amount to homeowners

## PSU Bank Bonds

- Partnership with public sector financial institutions to provide deposit loans and fixed holding options for homeowners with higher rate of interest
- Tenants and homeowners can claim joint ownership of the deposit, with homeowners having the final say in how much the deposit will be returned
- A structured tax-saving, high ROI option for homeowners
- Can be easily incorporated on top of existing financial services offered by NoBroker in partnership with banks

## Prioritization Matrix - (assumption: infinite tech bandwidth)

| Solutions | Value to users | Reach | Alignment with NoBroker's goals | Simplicity | Total Score | 🏆 Winner |
|---|---|---|---|---|---|---|
| Review System | ★★★★☆ | ★★★☆☆ | ★★★★☆ | ★★★★★ | ★★★★☆ | **Deposit Escrow** |
| Deposit Escrow | ★★★★★ | ★★★★☆ | ★★★★★ | ★★★★☆ | ★★★★⯪ | |
| PSU Bank Bonds | ★★☆☆☆ | ★★★☆☆ | ★★☆☆☆ | ★★★★★ | ★★★☆☆ | |
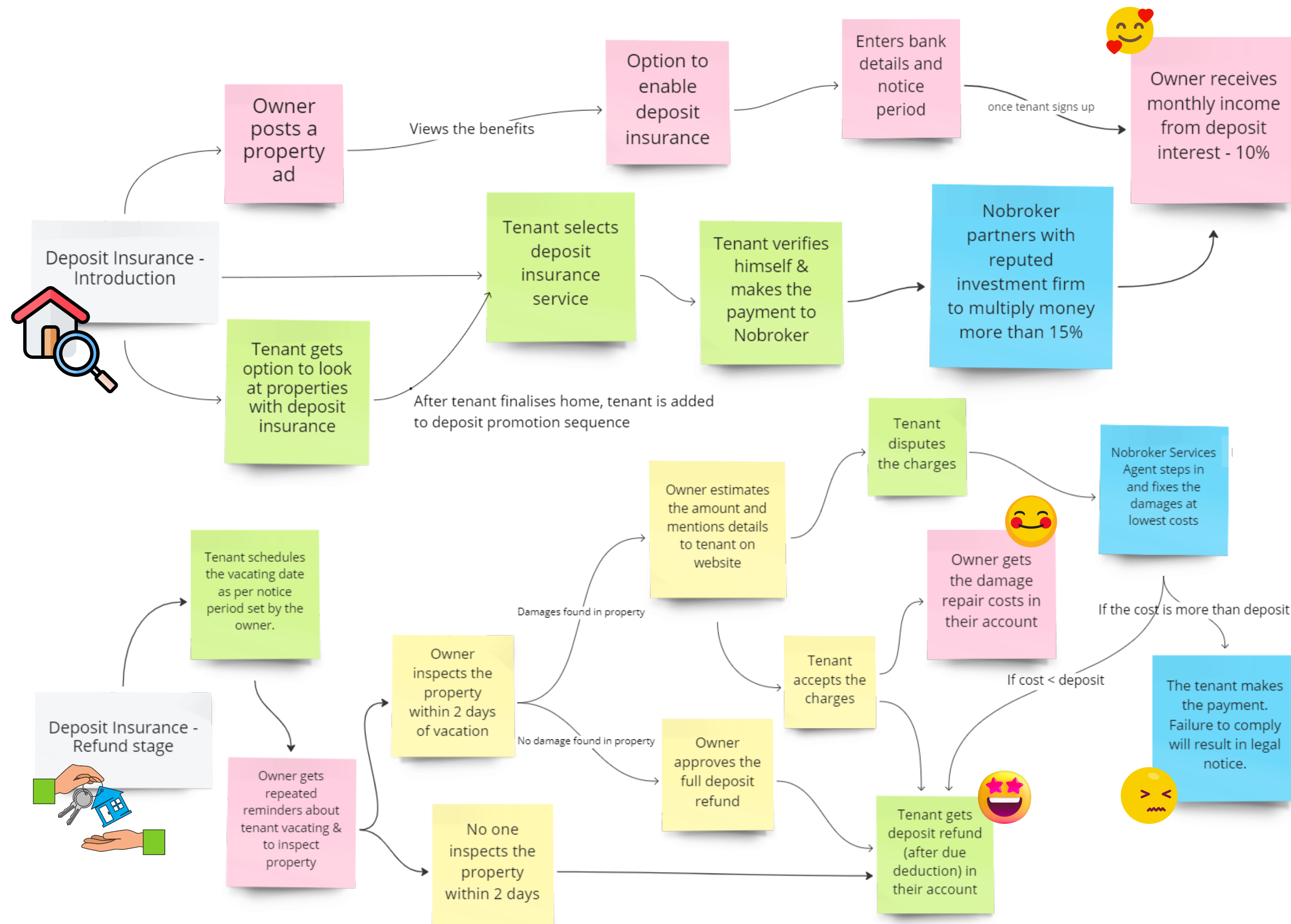
## What is the value generated for stakeholders with Deposit Escrow?

Owner posts a property ad

Views the benefits

Option to enable deposit insurance

Enters bank details and notice period

once tenant signs up

Owner receives monthly income from deposit interest - 10%

Deposit Insurance - Introduction

Tenant gets option to look at properties with deposit insurance

After tenant finalises home, tenant is added to deposit promotion sequence

Tenant selects deposit insurance service

Tenant verifies himself & makes the payment to Nobroker

Nobroker partners with reputed investment firm to multiply money more than 15%

Deposit Insurance - Refund stage

Tenant schedules the vacating date as per notice period set by the owner.

Owner gets repeated reminders about tenant vacating & to inspect property

Owner inspects the property within 2 days of vacation

Damages found in property

No damage found in property

No one inspects the property within 2 days

Owner estimates the amount and mentions details to tenant on website

Owner approves the full deposit refund

Tenant disputes the charges

Tenant accepts the charges

Owner gets the damage repair costs in their account

Nobroker Services Agent steps in and fixes the damages at lowest costs

If the cost is more than deposit

If cost < deposit

Tenant gets deposit refund (after due deduction) in their account

The tenant makes the payment. Failure to comply will result in legal notice.

### Tenants
- An easy renting process without worrying about scams
- Less financial uncertainty due to quick guaranteed deposit refunds
- Not at the mercy of the landlord
- Increased confidence to rent a home after moving to a new city
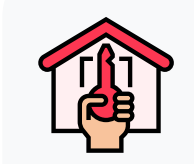
### Owners
- Get 10% interest monthly on deposit
- More tenant enquiries by showing up in deposit insurance filter
- Faster occupancy with increased tenant options due to more demand
- Zero worries about property repair with damage claim assurance

### NoBroker
- Increased number of tenants searching properties on the platform - by the quick deposit refund guarantee
- Additional income of 5% interest on the deposit amount - if we get a 15% return and pay 10% to the owner
- More sales of verification plan - by making it mandatory for tenants to be eligible for deposit insurance
- Increased sales of services - to fix the damage to property

in  Connect

## Home Screen

## Search Filters

## Property Listing

## Tenant Verification

## Deposit Payment
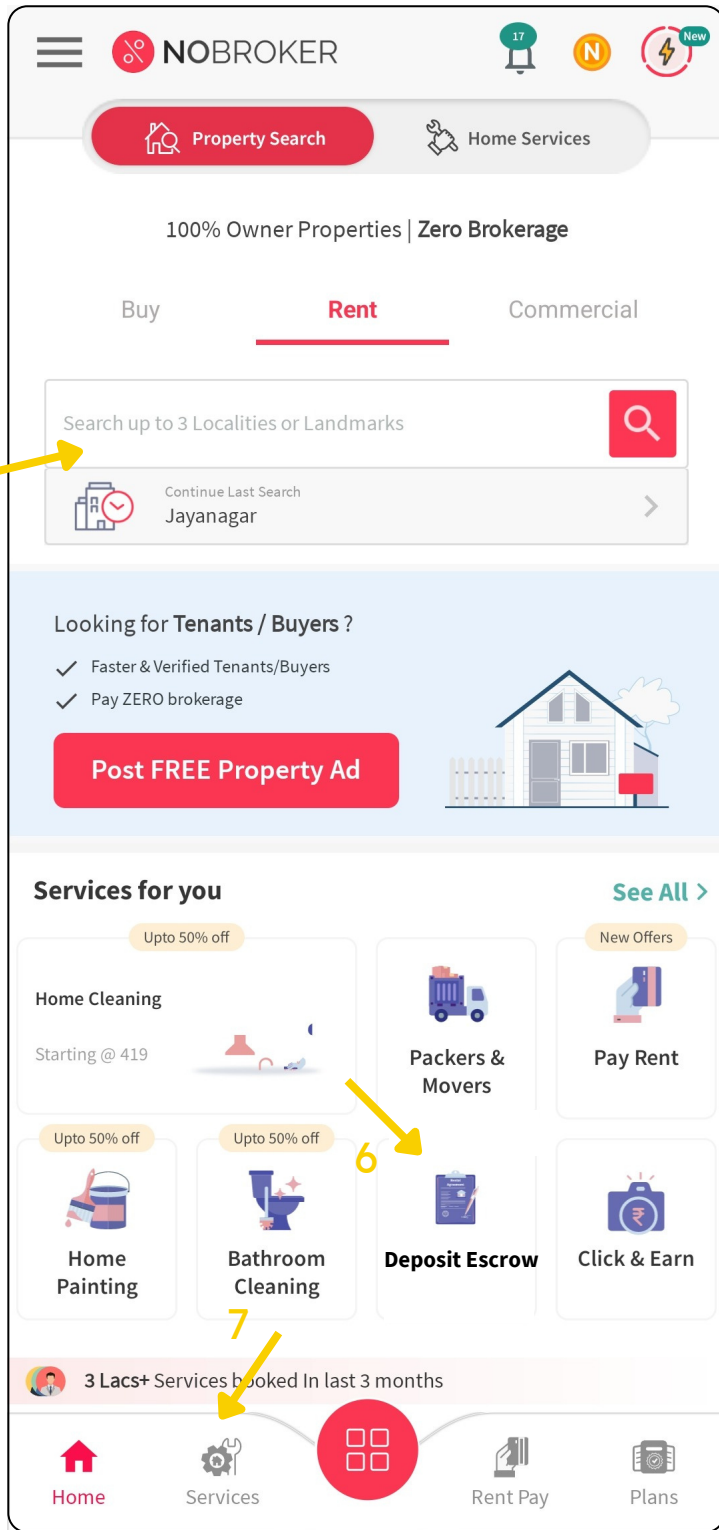
1- User searches for homes by searching their preferred location in search bar.
6 & 7- After finalizing the home, user selects the option and learns more details about it in a landing page.
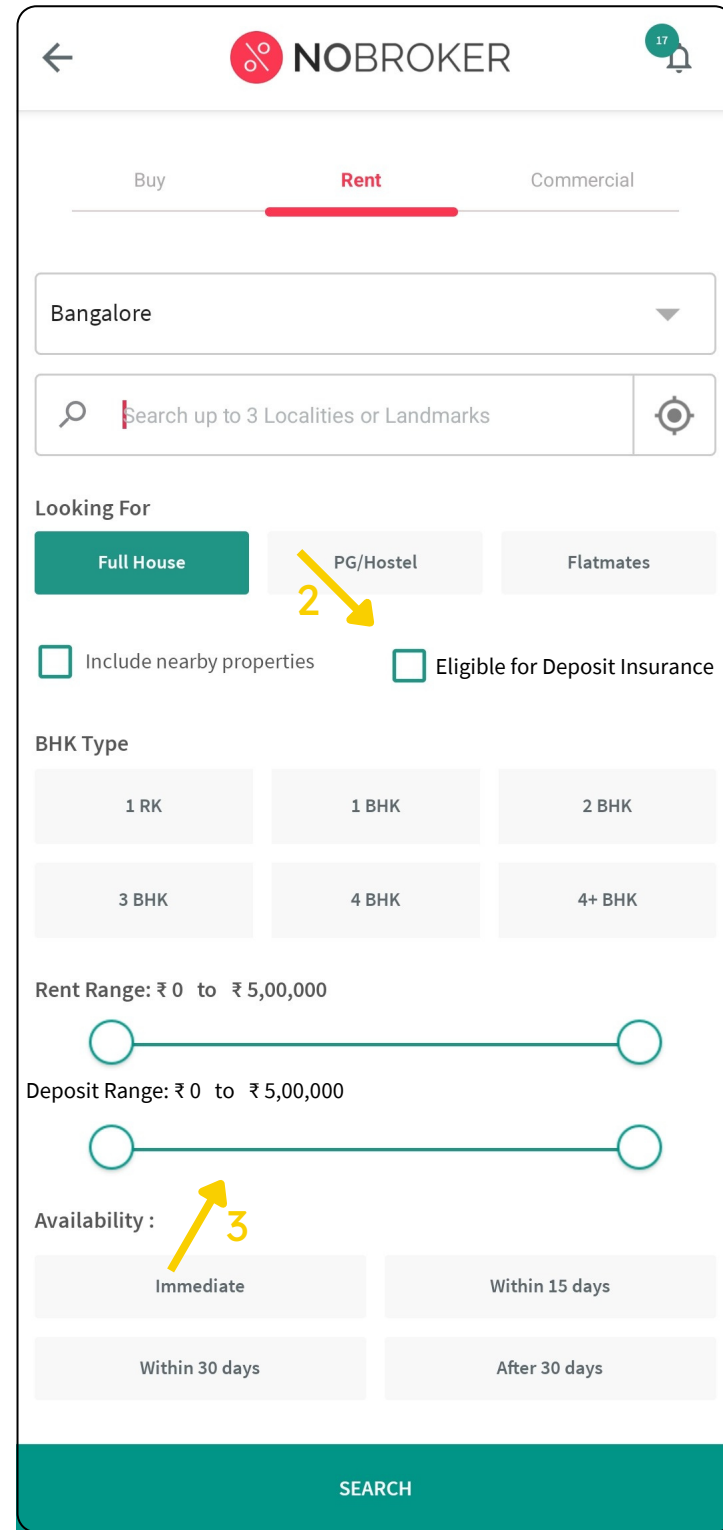
2- User selects the filter to show only homes that offer deposit insurance.
3- User adjusts the range of deposit he is comfortable with.
User adjusts other filters and clicks on search to see a list of properties.
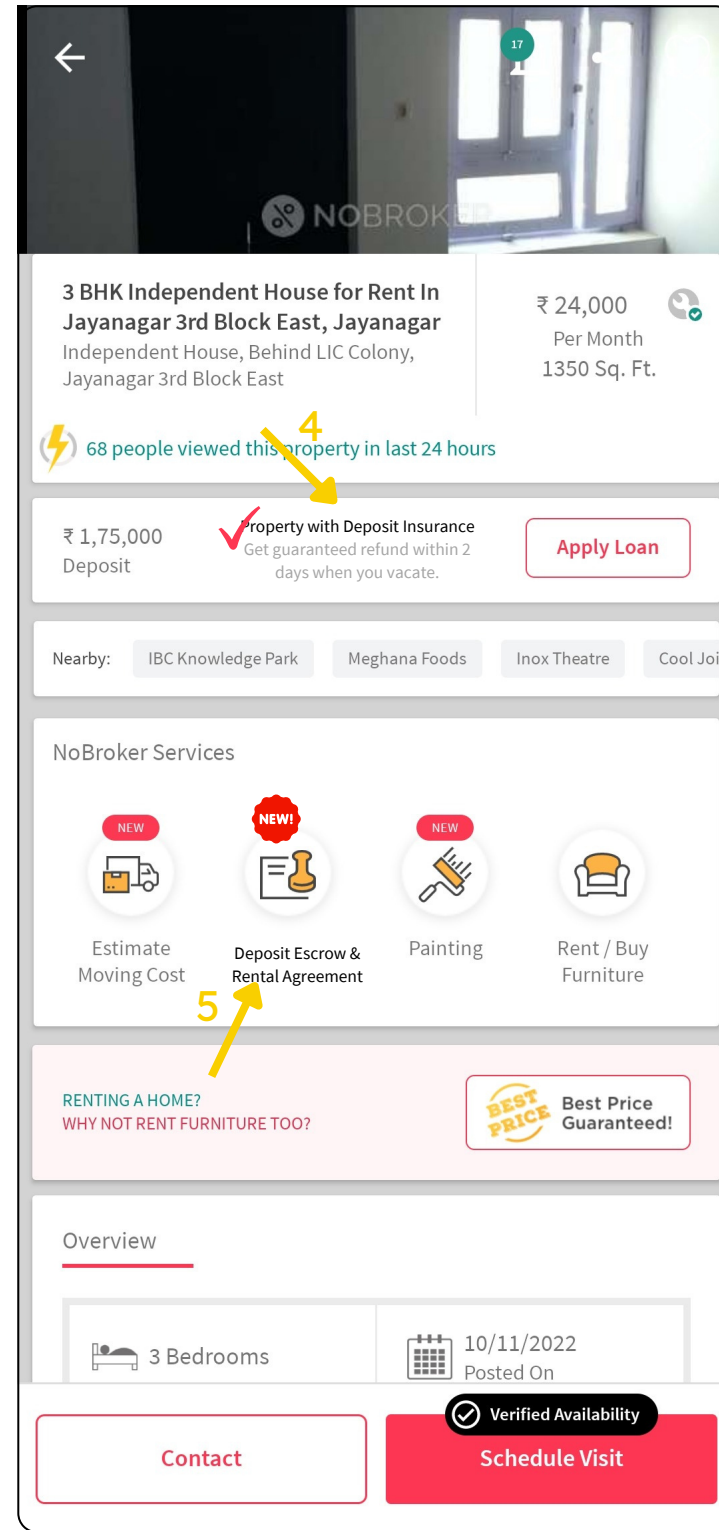
4- When user opens a property from the list of available options, deposit insurance is prominently featured to give him increased confidence.
5- Clicking on this gives additional information & FAQs about the escrow.
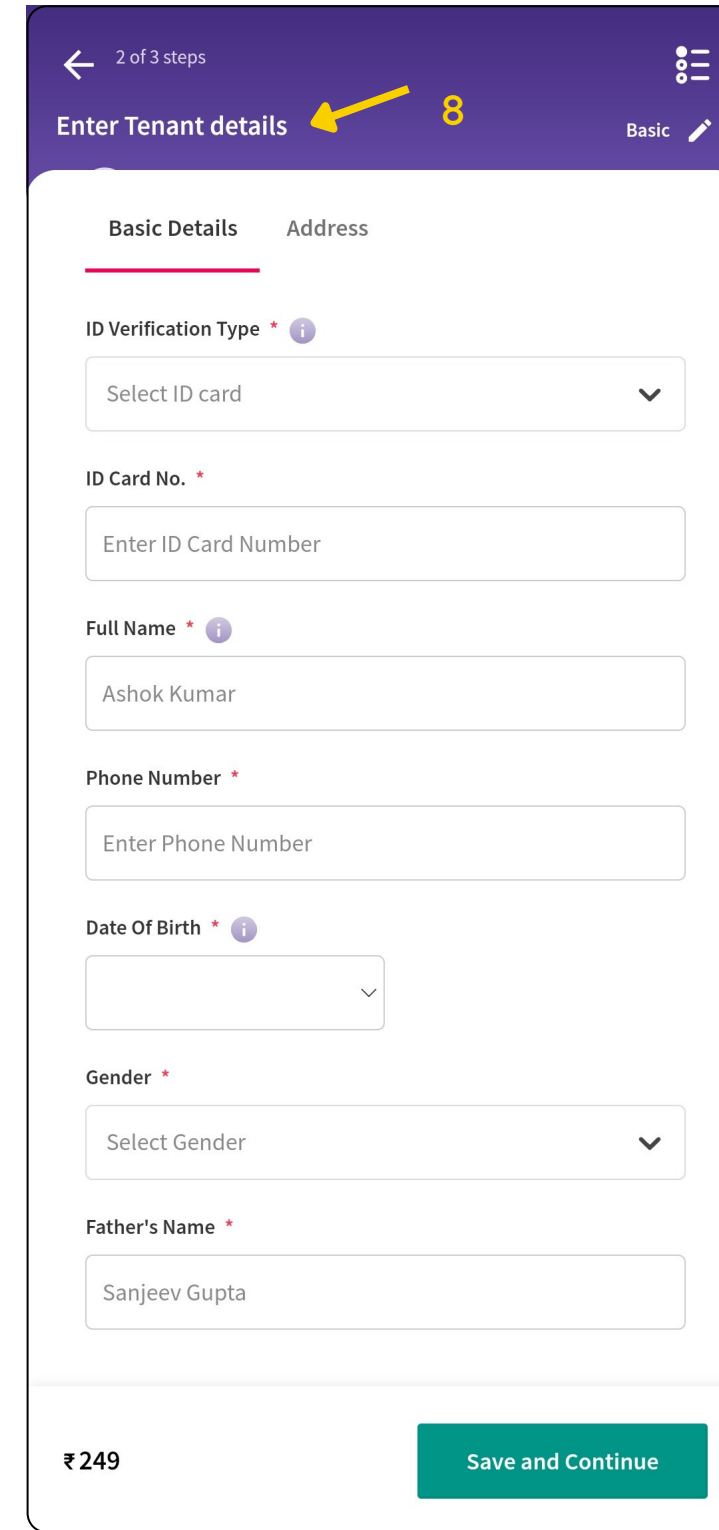
8- After user reads about the deposit escrow service, he requests verification from NoBroker by submitting personal details and ID proof and pays the verification fee.
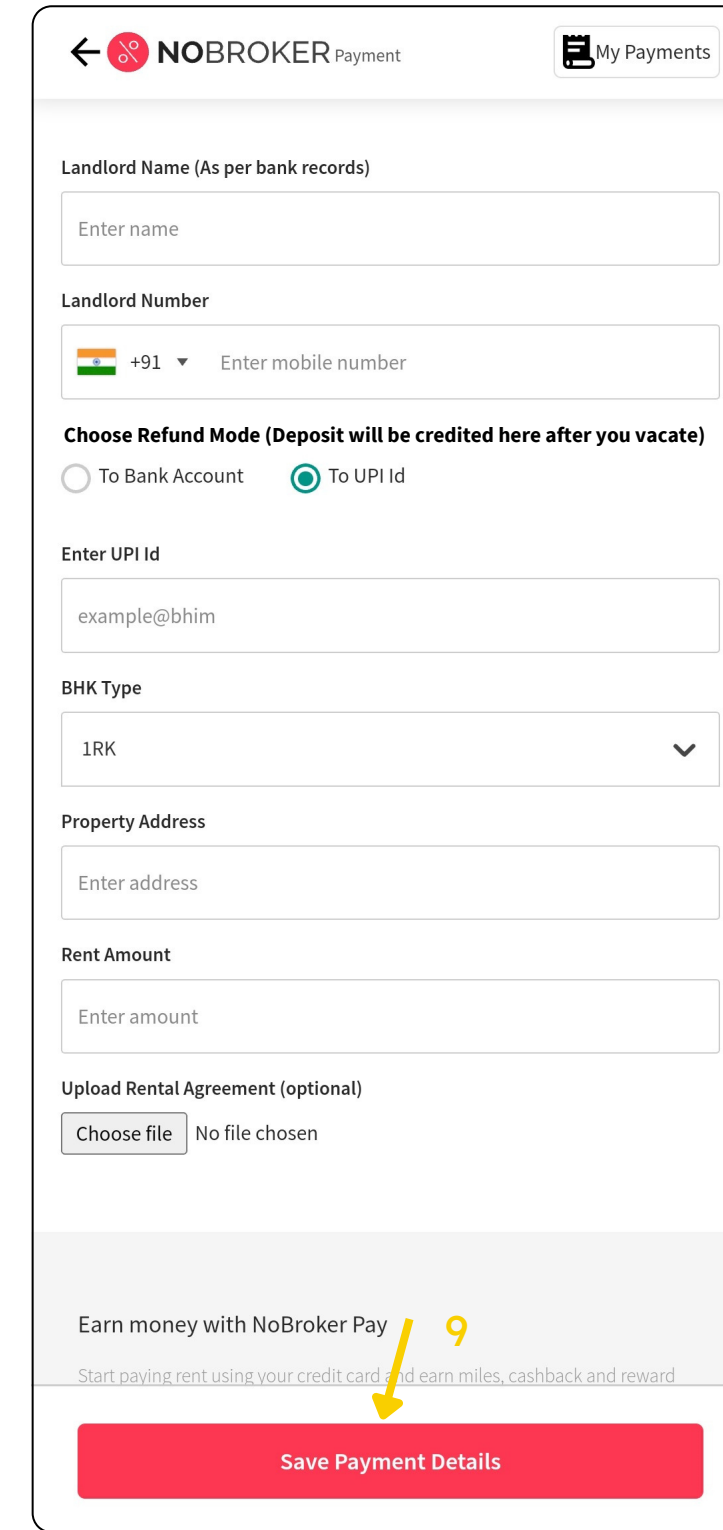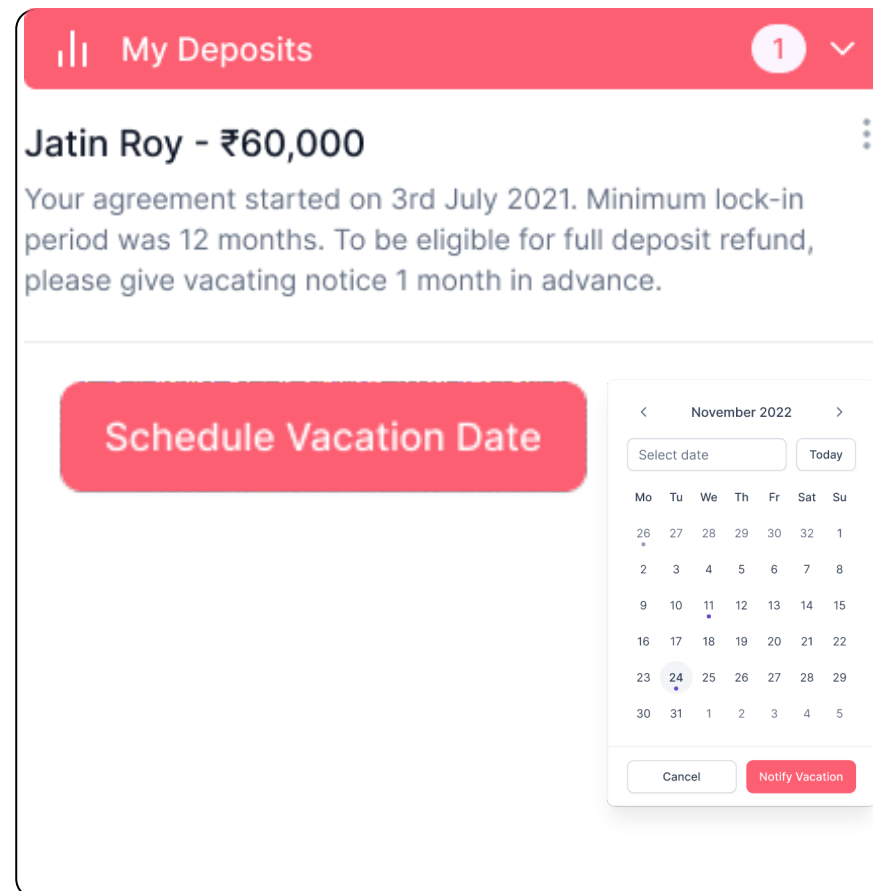
9-User completes the process by entering rental & payment details. and makes the deposit payment to NoBroker. NoBroker/landlord will then proceed with rental agreement.

*Zoom in to read the text in wireframes clearly.
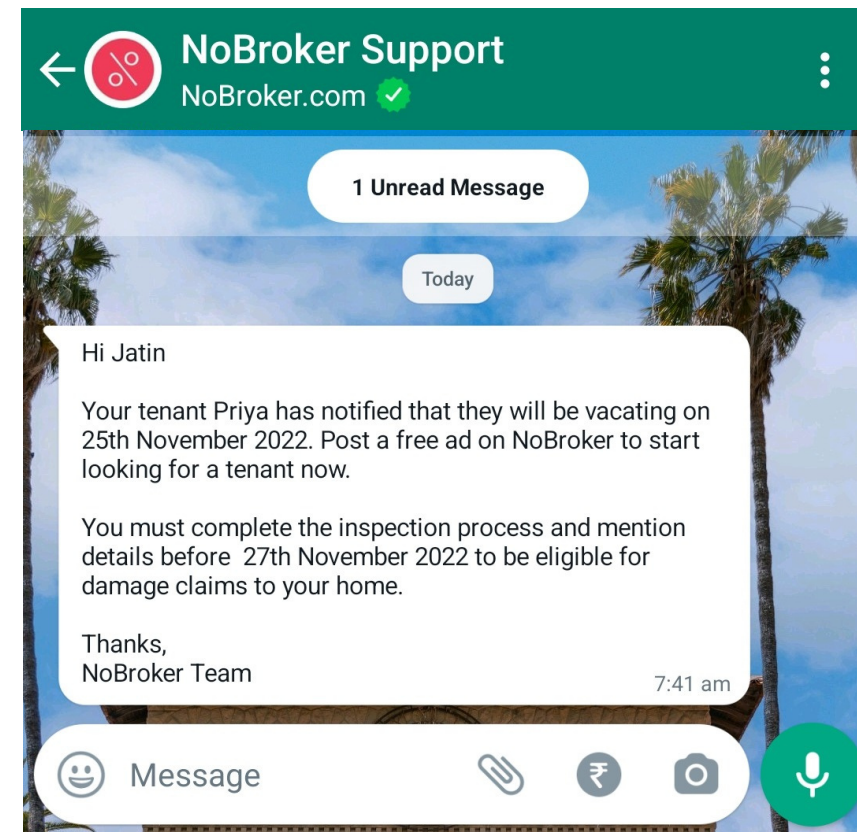Tenant is the user here.

## 1- Refund Stage - Tenant View
Tenant schedules vacation date by going to 'My Deposits' option in the app. If tenant vacates before minimum notice period, a small amount of the deposit will be deducted.

**My Deposits** 1

**Jatin Roy - ₹60,000**
Your agreement started on 3rd July 2021. Minimum lock-in period was 12 months. To be eligible for full deposit refund, please give vacating notice 1 month in advance.

**Schedule Vacation Date**

November 2022
Select date    Today

Mo Tu We Th Fr Sat Su
26 27 28 29 30 31 1
2 3 4 5 6 7 8
9 10 11 12 13 14 15
16 17 18 19 20 21 22
23 24 25 26 27 28 29
30 31 1 2 3 4 5

Cancel    Notify Vacation

## 2- Owner Notification
Owner gets multiple notifications about inspection via WhatsApp and automated calls.

← **NoBroker Support**
NoBroker.com ✓

1 Unread Message

Today

Hi Jatin

Your tenant Priya has notified that they will be vacating on 25th November 2022. Post a free ad on NoBroker to start looking for a tenant now.

You must complete the inspection process and mention details before 27th November 2022 to be eligible for damage claims to your home.
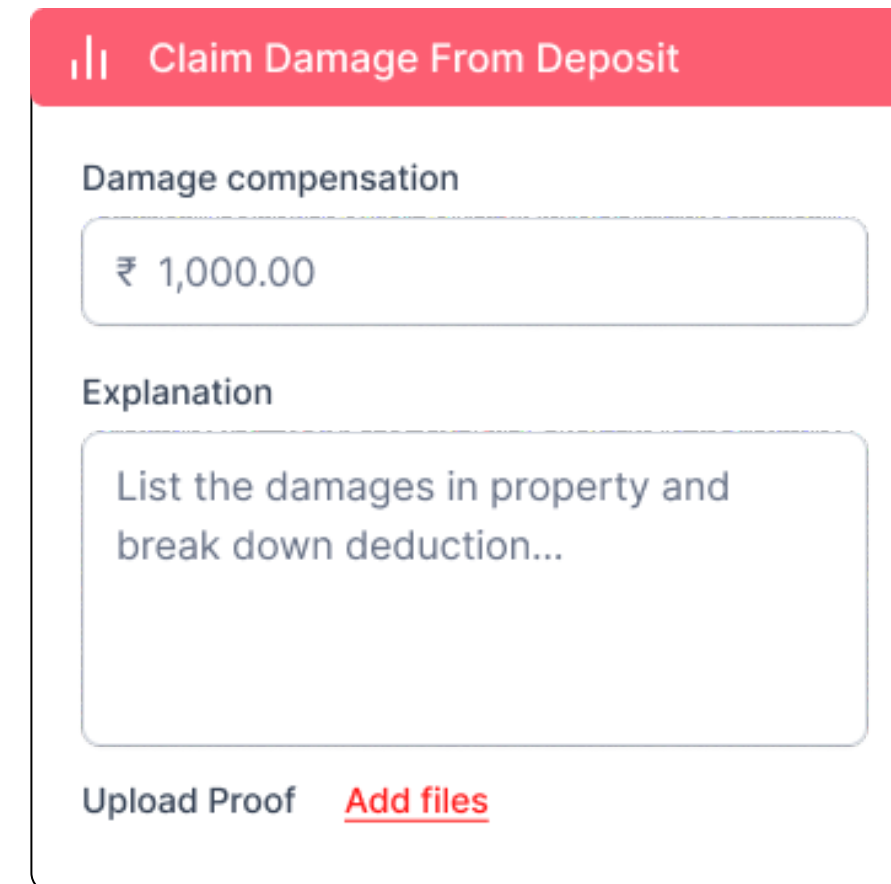
Thanks,
NoBroker Team
7:41 am

Message

## 3- Owner Dashboard - Screen 1
Owner can either approve or deny the refund depending on property damage and defaulted rent. If owner approves, tenant will get refund immediately in their bank account.

**Deposit Escrow** 3

**Priya Mishra - ₹60,000**
Your agreement started on 3rd July 2021. Minimum lock-in period was 12 months.

Priya is vacating on 25th November 2022. Please inspect the property before 27th November 2022 and process the deposit refund below.

**Deny Refund and Claim Damage**    **Approve Refund**

## 4- Owner Dashboard - Screen 2
Once the owner explains the reasons for the deduction and adds photos and videos as proof, the tenant can accept or decline it for further resolution.

**Claim Damage From Deposit**

Damage compensation
₹ 1,000.00

Explanation
List the damages in property and break down deduction...

Upload Proof    **Add files**

## Long-term Strategy:
1. Introducing deposit escrow will encourage tenants who found the property via other means (via a broker, to-let boards, and prop-tech platforms like magicbricks, housing.com, 99acres) to use NoBroker's deposit insurance service since feedback revealed that they are eager to adopt it and will insist on homeowners too using it.
2. Homeowners will be drawn by the promise of a damage-free home where NoBroker promises to get the tenant to pay if damages exceed the deposit. They will also be happy to reduce arguments with tenants due to a disorganized repair process without a consistent pay structure.
3. This will boost NoBroker's penetration in the market by capturing new audiences and converting them into lifetime customers - where they might potentially use the NoBroker platform for their future searches and also enlist personal assistance from NoBroker.

### Feedback on the solution

"I would totally jump at this. It's better for NoBroker to have my money instead of landlords, NoBroker is a big company and is less likely to cheat compared to individuals."

"A guaranteed damage cover with repairs and a verified tenant for my home? Sign me up, this totally works for me. I don't mind NoBroker keeping money with them as long as there is a solid contract with proof that money belongs to me."

I am okay with paying 1.2 lakh Rs as a security deposit if there is some assurance that I will get it back. Otherwise I'll prefer a home with less deposit.

**in** | **Connect**

| Type of Metric | Metrics for Deposit Insurance | Significance of metric | Want |
|---|---|---|---|
| North Star Metric | Number of monthly active users | Our goal is to increase the engagement of potential tenants, new tenants and homeowners on NoBroker platform so that they are exposed to various NoBroker offerings and end up paying for NoBroker subscriptions/services. | ↑ |
| L1 (Primary) Metric | Total Monthly Revenue | This is the key to NoBroker's profitable growth. We track monthly because the usual lifecycle of tenants from the home hunting process to finalizing home is 15-20 days. | ↑ |
| L2 (Input) Metric | Number of users active with DI | Active DI contributes to additional revenue via interest via deposit and additional services required for damage repair at the end of tenure. | ↑ |
| Adoption Metric | Number of users registering for DI per month, No of users who click to get more info on DI via listing or filter page, No of users who proceed to fill DI form | Explains if DI is required for users and if people are interested in learning about DI | ↑ |
| Engagement Metric | Avg time spent per user viewing DI landing page, Avg time spent per user browsing through listings with DI filter | Gives insight about interest in DI among users | ↑ |
| Usage Metric | No of users clicking on DI filter while browsing through listings, No of users clicking on DI while posting property ad, Avg bounce rate from DI form, No of users who fill the DI form | Explains if DI is being actively used among users | ↑ |
| Retention Metric | No of users who opt for DI for more than one time | Gives insight about usefulness of DI among users | ↑ |
| Satisfaction Metric | Overall CSAT, DI CSAT, Refund CSAT, No of users who click on refer DI button | Gives insight about popularity of DI among users | ↑ |
| Outcome Metric | Revenue per user with DI, ( % increase in new users opting for DI / % increase in new users ) | Explains if DI is aligned with NoBroker's goal of increasing revenue | ↑ |
| Health Metric | Latency, transaction failure rate after entering payment details, downtime, data loss rate, form submission processing error rate | Gives insight if technical issues are disrupting the DI usage | ↓ |

DI  Full Form - Deposit Insurance/Escrow Feature  |  CSAT Full Form - Customer Satisfaction

**Risk 1**

Sometimes the damage cost will be more than the deposit value. Promising a damage-free home to the landlord might potentially lead to a financial loss for NoBroker if tenant defaults.

**Mitigation**

Implementing a Force Majeure clause will protect NoBroker from extremely unpredictable events like the death/accident of the tenant, earthquakes, or wars. Verifying the tenant's details and credit score with the Cred app integration before letting them be eligible for Deposit Insurance will go a long way in minimizing fraud.

**Risk 2**

Property owners will be reluctant to adopt Deposit Escrow since they don't want the cash to be with someone else. Onboarding the first 10,000 owners will prove to be a challenge. (Once it becomes the norm in the industry, other owners will be compelled to join to increase the value of their rental offering.)

**Mitigation**

Keeping cashback offers, promotional strategies with free subscriptions in exchange for selecting deposit insurance, and increased monthly interest (20% instead of 10%) in the initial stages can help in encouraging home owners to sign up.

**Risk 3**

With recession and inflation, NoBroker might not be able to give the promised 10% monthly interest on deposits to owners. This will make the owners demand the money back in their own accounts.

**Mitigation**

Doing due diligence while partnering with an external financial agency and diversifying the portfolio with a proven growth track record is the key. Keeping backup funds and healthy cash flow can also keeping payment disbursement smooth.

**Risk 4**

Tenants might be skeptical about Deposit Insurance since it is not there in Indian market yet, and the lack of awareness can impede the adoption rate and reduce the demand for Deposit Insurance.

**Mitigation**

Keeping a short video on the home page encouraging users to rent homes since it is much safer now, keeping a pop-up in the filter screen asking users to enable it for a better rental experience, running referral campaigns where tenants refer their friends to use deposit escrow can significantly improve the adoption rates.

**Risk 5**

Property owners might have issues with the requirement to inspect the property within 2 days and find the time to be too short if they are out of town or have some other commitments. When NoBroker automatically refunds the tenant after 2 days of inaction, owner might challenge with legal cases in the event of property damage.

**Mitigation**

Repeated reminders via multiple channels can help to ensure owners are ready for the vacating date. If the owner cannot do it within the time frame, NoBroker can offer a service person for hire for an additional fee to inspect and estimate damage costs on their behalf.

**Risk 6**

Tenant disputes the claim saying that damage existed before he moved into home and disputes the deduction costs either by owner or NoBroker agent while the owner denies such damage existing.

**Mitigation**

Ask the tenant to upload photos and videos of the existing damages in a separate section shortly after paying the deposit before moving in to minimize future disputes. The owner electronically verifies the damages and accepts that it is there in NoBroker app.
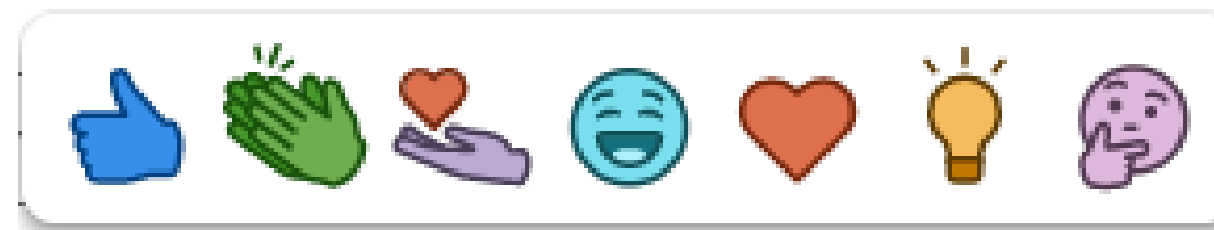
## Like the concept and the process of implementation?

Do you want **deposit insurance** to be a reality in the real estate world
to simplify your next house-hunting adventure?

It's time to make it viral so that someone will actually implement it!
Every single like, comment and repost counts. ♥️

🔗 <u>Click here to go to the post</u>

Comment          Repost          Send