



# Closed Beta Investor Packet

High-level overview for prospective  
accredited investors

# Important notice

This document is for informational purposes only and is meant to help you understand, at a high level, what Allonge is building and how our closed beta works.

Nothing in this document is an offer to sell or a solicitation of an offer to buy any security. Any offer will be made only through the official offering documents (which may include a private placement memorandum, subscription agreement, and related materials) and only to eligible investors in jurisdictions where such an offer is permitted.

Investing involves risk, including the possible loss of principal. This is not a bank deposit and is not insured by the FDIC or any other government agency. You should review the full offering documents and consult your own legal, tax, and financial advisors before investing.



# Welcome

Thanks for your interest in Allonge.

Allonge is building a platform that gives accredited investors simpler access to an asset class that has historically been difficult to participate in directly: **residential mortgage investing**.

Our focus is on a specific niche of the mortgage market called **scratch-and-dent**. These are typically **performing loans** that may be discounted because they contain an administrative issue that makes them harder for the original lender to sell through traditional channels.

Our closed beta is intentionally limited. We are starting with a small group of investors so we can launch carefully, operate responsibly, and gather real feedback as we scale.

# Quick summary

## What Allonge does:

We help accredited investors invest in fractional interests in **performing residential mortgages**, with a focus on discounted scratch-and-dent loans.

## Why it matters:

This approach can create a compelling income-oriented investment profile because:

- Mortgage borrowers make monthly payments.
- Purchasing certain loans at a discount can improve the economics of the investment.
- Technology can reduce operational friction and overhead.

## Who is this for?

Accredited investors who want exposure to mortgage cash flows and understand that this is a private, long-term, relatively illiquid investment.

## Closed beta minimum:

As little as **\$5,000** (specific minimums and terms may vary by offering and will be shown in the offering documents).

## What to do next:



1

Read these materials.

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2

Create an account.

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3

Complete investor verification steps.

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4

Review the first available offering materials and ask questions before investing.

# The opportunity in plain language

Most people understand mortgages from the borrower's side. Mortgage investing is the other side of the same thing: you are investing in the loan that a homeowner pays back over time.

Historically, direct access to mortgage investments has often been limited to:

- **Institutions**
- **Large funds**
- **Ultra high net worth investors**

That is because mortgage investing is operationally complex. It involves sourcing, documentation, custody, servicing, payment distribution, compliance, and ongoing reporting.

Allonge's goal is to make this experience simpler and more accessible for accredited investors, starting with a carefully managed closed beta.



# What is a scratch-and-dent mortgage?

"Scratch-and-dent" sounds scarier than it is.

In this context, scratch-and-dent mortgages are typically loans that:

- Were originated by a lender
- Are secured by real residential property
- May be performing (borrowers making payments)
- Cannot be sold easily through standard channels due to an administrative, documentation, or eligibility issue

A common reason a loan becomes scratch-and-dent is that it may not meet the strict packaging or delivery requirements to be sold to large buyers, like government-sponsored enterprises or other institutional buyers, at full value.

## The key idea:

When a loan is harder to sell, it may be sold at a discount. A discount purchase price can change the investment economics.

# What you are investing in?

Allonge offerings are designed to give investors exposure to the cash flows of residential mortgages in a way that can be legally compliant and operationally manageable.

Depending on the specific offering, investors may purchase an interest in an investment vehicle (for example, an entity that holds one mortgage or a pool of mortgages). Your investment may be represented digitally (for example, through a tokenized interest that reflects ownership or participation rights).

**You should assume the following at a [high level](#):**

## #1

You are investing in a private offering available only to eligible investors.

## #2

You are not buying a house. You are investing in the mortgage asset and its cash flows.

## #3

Your rights, economics, fees, and transfer restrictions will be defined in the official offering documents.

# How the investment produces value

Mortgage investments generally generate value from borrower payments and the structure of the purchase.



## 1) Monthly borrower payments

Borrowers typically pay monthly principal and interest. Those payments, net of expenses, are the source of investor distributions in many mortgage strategies.



## 2) Discounted acquisition

In scratch-and-dent, the purchase price may be discounted relative to similar “clean” loans. That discount can improve the investment profile compared to buying the same loan at full value.



## 3) Principal return over time

As borrowers pay down principal (or refinance/sell and pay off the loan), principal is returned according to the terms of the offering.

### Important note:

While monthly distributions are a core part of how mortgage investing typically works, distributions are not guaranteed and depend on borrower performance, servicing, expenses, and the specific offering terms.

# Why Allonge uses tokenization

Tokenization is a tool. It is not the investment thesis by itself. In simple terms, tokenization helps us:

- **Divide** an investment into smaller fractional interests.
- **Track** ownership cleanly.
- **Automate** certain administrative processes (like allocation and distribution logic).
- **Reduce friction** that typically makes small-dollar mortgage investing expensive or impractical.

This is not about speculative trading or hype. The goal is to use modern infrastructure to improve an old system.

# How loans are sourced and evaluated

Allonge focuses on identifying mortgages that fit a defined box for the offering.

While the specifics will vary by offering, investors should expect the Allonge process to include:



Screening for loan and collateral characteristics.

Reviewing payment performance and borrower history where available.

Understanding the nature of the scratch-and-dent issue.

Evaluating how the issue can be cured, worked around, or priced appropriately.

Confirming servicing and operational readiness before acquisition appropriately.

**The details for any specific loan or pool will be shared in the offering materials.**

# The investor experience

Here is what participating typically looks like.

## Create an account:

You will create an Allonge account and complete basic profile information.

1

2

3

4

5

6

## Verify eligibility:

This beta is intended for **accredited investors**. Verification steps may include identity checks and accreditation verification, depending on how the offering is conducted.

## Review offering materials:

Before investing, you will have access to the specific materials for the offering, which may include:

- Offering summary and terms.
- Risk factors.
- Fee disclosures.
- Mortgage-level or pool-level information (as appropriate).
- Subscription documents.

## Fund your investment:

Investments are typically funded by bank transfer or ACH (specific methods will be shown during checkout).

## Receive confirmation of your interest:

Once your subscription is accepted and funds are received, you will receive confirmation and dashboard visibility into your investment.

## Ongoing reporting and distributions:

You should expect:

- Regular updates (cadence may vary during beta).
- Distributions if and when made according to offering terms.
- Year-end tax reporting documents as required by the structure (details will be provided in the offering materials).

# Liquidity and time horizon

This is not a public market product.

## You should assume:

### Limited liquidity:

You may not be able to sell or transfer your interest freely.

### Longer time:

**horizon:** Mortgage investments play out over time.

### Transfer restrictions:

Any transferability will be governed by the offering documents and applicable law.

If you need **short-term** access to your principal, this may not be a fit.

### Fees and expenses

Mortgage investing has real operational costs. Typical categories may include:

- Asset management or platform fees.
- Servicing fees paid to the loan servicer.
- Administration, custody, and reporting costs.
- Legal, compliance, and audit-related expenses.
- Technology and transaction expenses.

Exact fees and how they are calculated will be clearly disclosed in the offering documents for each investment.

# Why we're doing a closed beta

We are intentionally starting small.

The closed beta is designed to:

- Launch with tight operational controls
- Validate sourcing, servicing, and reporting workflows
- Improve the product based on real investor feedback
- Build long-term trust and repeatable execution before scaling

## The key idea:

We would rather do this carefully than do it fast.

# Risks and important considerations

This is a private investment and it is not risk-free. A few high-level considerations you should understand before investing:

- **Borrower payment risk:** Borrowers may miss payments, default, or require workout/foreclosure processes.
- **Collateral risk:** Property values can decline, and liquidation can be costly and slow.
- **Prepayment risk:** Borrowers may refinance or pay off early, which can change expected cash flows.
- **Servicing risk:** Poor servicing performance can impact collections, timelines, and investor outcomes.
- **Scratch-and-dent complexity:** Administrative issues may be harder to cure than expected, or may introduce delays and costs.
- **Illiquidity:** You may not be able to sell your investment when you want to.
- **Regulatory and legal risk:** Laws and regulations affecting mortgages and securities can change.
- **Platform and operational risk:** As with any early platform, execution matters. Systems, vendors, and processes must perform reliably.
- **Technology risk:** Tokenization and smart-contract-enabled processes introduce new technical and cybersecurity considerations.
- **Concentration risk:** Early offerings may involve fewer loans or strategies, increasing concentration.



**This is a summary only. The official offering documents contain a more complete description of risks.**

# FAQ

## Is this crypto?

No. We use blockchain technology as infrastructure, but the investment is based on mortgage cash flows, not crypto price movements.

## Do I own a home?

No. You are investing in an interest tied to the mortgage asset and its economics, as defined in the offering documents.

## Are these borrowers actually paying?

The strategy focuses on performing loans, but performance can change. The offering materials will describe what is known about payment history and the loan characteristics.

## How do I get paid?

Mortgage borrowers typically pay monthly. If the offering provides for distributions, they are generally made according to the cash flows and the terms disclosed in the offering documents. Not guaranteed.

## Can I sell my investment?

You should assume limited liquidity. Any transferability is subject to legal and contractual restrictions.

## What happens if a borrower stops paying?

That may trigger a servicing workout process and could include late fees, repayment plans, modification, or foreclosure depending on circumstances and strategy. Outcomes vary.

## What about taxes?

Tax treatment depends on the offering structure. You will receive the relevant year-end tax documents based on the structure and your investment.

## Why is the minimum only \$5,000?

Because fractionalization makes it possible to participate without the large minimums typically required in mortgage investing. Minimums may vary by offering.

# Glossary

**Accredited Investor:**

A legal definition under U.S. securities laws. Eligibility is based on certain income, net worth, or other criteria. freely.

**Mortgage Servicer:**

The party responsible for collecting borrower payments and managing day-to-day loan administration.

**Performing Loan:**

A loan where payments are being made as agreed (though performance can change).

**Scratch-and-Dent:**

A mortgage that may be discounted due to an administrative or documentation issue that affects salability through standard channels.

**Tokenization:**

A way to represent an investment interest digitally to simplify fractional ownership tracking and administration.



# allonge

## Next Steps:

**1**

Create your Allonge account.

**2**

Complete **verification steps** (identity and accredited investor verification as required).

**3**

Review the **offering materials** carefully.

**4**

**Ask questions.** We want you to understand this before you invest.

**5**

If it's a fit, **subscribe and fund your investment** through the platform.

# Final reminder

This beta is limited and intentionally relationship-driven. If you were invited, it's because someone on our team believes you may benefit from early access to this opportunity.

We're excited to build this the right way, and we appreciate you taking the time to learn how it works.







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