COMMENT LETTER

Re: Joint Request for Comment on Further Definition of “Swap” and “Security-Based Swap” and on Alternative Compliance (CFTC RIN 3038-AF71; SEC Release Nos. 33-11424 and 34-105735; File No. S7-2026-21)

To the Commodity Futures Trading Commission and the Securities and Exchange Commission:

Home Diversified Solutions Corp. submits this comment in response to the Commissions’ invitation, in Part II of the Request for Comment, for input on principled, objective criteria that could be used to provide additional clarity for innovative products within the Title VII framework.

1. The category of product at issue

An emerging category of consumer-facing financial products is beginning to address a long-recognized gap in household risk management: the absence of any mechanism by which an individual homeowner can diversify the idiosyncratic price risk of a single, geographically concentrated residential property. These products allow a homeowner who holds, or who is contemporaneously acquiring, an ownership interest in a residence to exchange, in whole or in part, the property-specific component of that home's future price performance for a return linked to a broader, diversified reference of residential home values — while the homeowner retains full ownership, occupancy, and all consumption benefits of the property.

We respectfully submit that this category of product illustrates precisely the kind of arrangement for which principled, objective criteria could provide valuable clarity — distinguishing genuine risk-diversification arrangements tied to a real underlying exposure from the tradable, leveraged instruments the swap definition was designed to reach.

2. Candidate objective criteria for this category

The Commissions have specifically requested comment on principled, objective criteria that could distinguish products within the Title VII framework. We suggest the following characteristics, each a defining feature of this product category rather than an incidental one, as candidate criteria for identifying bona fide homeowner risk-diversification arrangements:

- Direct, use-based exposure. The counterparty's exposure to the referenced residence is direct and tied to actual or contemporaneously-acquired ownership and occupancy — not a freestanding position acquired independent of any interest in the underlying property. The arrangement reduces a real, concentrated risk the counterparty already bears or is simultaneously assuming through ownership; it does not manufacture a new speculative exposure.
- Non-tradability. The instrument is non-tradable and non-assignable between parties, eliminating the secondary-market and price-discovery functions that are central to the swap regulatory framework.
- No leverage or margin. There is no leverage, no margin, and no cash mark-to-market settlement during the life of the arrangement.
- Event-linked, not periodic, settlement. Settlement, where it occurs, is tied to an actual, real-world property or financing event — such as sale of the home, payoff of the underlying mortgage, or

refinancing — rather than to a periodic or discretionary cash-settlement date against a reference index.

- Continuing ownership responsibility. The homeowner retains all ordinary economic risks, responsibilities, and benefits of ownership throughout the arrangement — maintenance, taxes, insurance, and use of the property. This continuing responsibility is itself evidence that the arrangement functions as a risk-management overlay on an asset the homeowner actually owns and uses, rather than as a standalone financial instrument referencing that asset from the outside.

The use of a diversified residential index as the benchmark for measuring the relative performance of an existing, owned exposure is a different function from the use of an index to construct a synthetic position untethered to any underlying asset. In the products described here, the index serves as a benchmark that informs the resulting settlement amount, but the counterparty's exposure to that benchmark exists only because of, and only for the duration of, an actual ownership interest in the underlying property — the index does not itself create the exposure being referenced.

3. Why these characteristics should matter under the statutory framework, not only as policy

We recognize that economic-substance analysis under Section 1a(47) of the Commodity Exchange Act looks past labels to the actual rights and obligations created by an instrument. The Commissions have previously demonstrated — in the Insurance Safe Harbor adopted as part of the 2012 Product Definitions Release (Further Definition of "Swap," "Security-Based Swap," and "Security-Based Swap Agreement," 77 Fed. Reg. 48208, August 13, 2012) — that functional, purpose-based criteria, rather than the mere presence of a benchmark-referenced payment obligation, can properly distinguish an arrangement from a swap or security-based swap. We cite that precedent only as an example of the Commissions' existing methodology, not to suggest that homeowner risk-diversification arrangements should be characterized as insurance; they are not, and we are not requesting treatment under the existing Insurance Safe Harbor. We submit that a similarly functional approach, applying the criteria identified above, would be appropriate for this distinct category of arrangement, which is not addressed by the existing insurance framework or any other current exclusion.

4. The policy interest in regulatory clarity

Homeowners disproportionately hold the majority of their household net worth in a single, undiversified, illiquid asset. Products that allow this concentrated household exposure to be responsibly diversified — without requiring the homeowner to sell, relocate, or take on leverage — may meaningfully improve household financial resilience to localized housing downturns. This is fundamentally a question of diversifying an existing concentrated household asset, not of creating new investment exposure. Uncertainty as to whether such products fall within the swap definition creates a substantial disincentive to their responsible development, notwithstanding that their economic substance differs materially from the instruments the swap definition was designed to reach.

5. What may be lost without clearer treatment

We raise one further consideration, not as a substitute for the statutory analysis above but as context for why clarity in this area may be particularly valuable. If arrangements of this kind are, by default, swept into the same regulatory category as ordinary speculative derivatives, a category of potentially beneficial household risk management may not develop. Properly structured and appropriately validated,

homeowner risk-diversification products of this kind may have the potential to improve housing affordability, expand sustainable access to homeownership, and allow households to reduce concentration in a single residential asset rather than bearing that concentration entirely on their own. They may also have the potential to reduce negative-equity severity during housing downturns and to improve mortgage credit performance — including the potential to materially reduce foreclosure risk, particularly where negative equity contributes to default severity — and, more broadly, to allow home-price risk to be distributed more efficiently across a diversified pool rather than concentrated entirely with the individual homeowner. We offer these as potential benefits meriting consideration, not as claims requiring the Commissions to resolve the classification question on policy grounds rather than the statutory text.

6. Request

We encourage the Commissions, in any further definitional clarity, interpretive exclusion, safe harbor, or objective qualifying framework arising from this Request for Comment, to consider the treatment of arrangements bearing the characteristics described above — non-tradable, non-leveraged, event-settled, property-linked risk-diversification arrangements entered into by an existing or contemporaneous owner-occupant with respect to their own residence — as a category meaningfully distinct from tradable derivatives and event contracts.

We appreciate the opportunity to comment and would welcome the opportunity to provide additional detail as the Commissions' process develops.

Respectfully submitted,

Home Diversified Solutions Corp.

By: Marc Biron, Chief Executive Officer

August 21, 2026