

**UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION**

COMMISSIONERS: **Lina M. Khan, Chair**
 Noah Joshua Phillips
 Rebecca Kelly Slaughter
 Christine S. Wilson
 Alvaro M. Bedoya

In the Matter of

OPENDOOR LABS INC., a corporation,

DOCKET NO.

COMPLAINT

The Federal Trade Commission, having reason to believe that Opendoor Labs Inc., a corporation (“Respondent”), has violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent Opendoor Labs Inc. (“Opendoor”) is a Delaware corporation with its principal place of business at 410 North Scottsdale Road, Suite 1600, Tempe, AZ 85281.
2. The acts and practices of Respondent alleged in this complaint have been in or affecting commerce, as “commerce” is defined in Section 4 of the Federal Trade Commission Act.
3. Respondent Opendoor operates an online real estate business that, among other things, buys homes directly from consumers as an alternative to sales on the open market or, as the company describes them, “traditional sales.” Opendoor promised consumers that they would make more money selling their homes to it than by selling on the market. In fact, consumers who sold to Opendoor lost thousands compared to what they would have received from a market sale.

Opendoor Promised that Consumers Would Make More by Selling Their Homes to It.

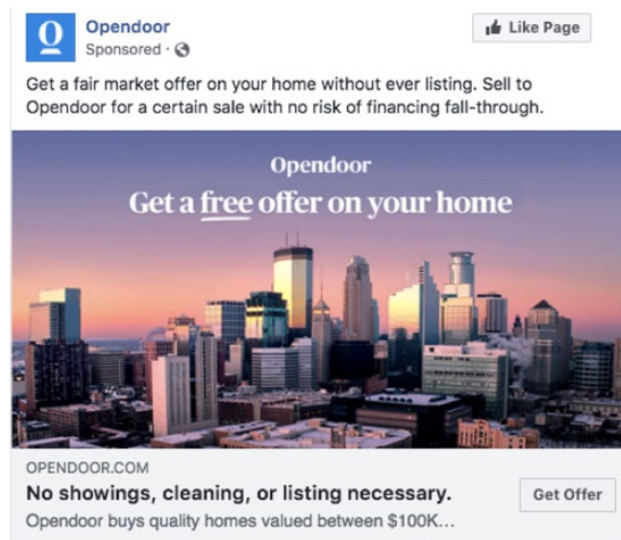
4. Respondent advertised to consumers an “iBuyer” real estate service that directly purchases consumers’ homes. Opendoor told consumers that, rather than making money from “buying low and selling high,” the company made money from a fee or “service charge,” which ranged from 6 to 14 percent of Opendoor’s offer price. Opendoor promised to use cutting-edge technology to save consumers money if they sold their homes to it by providing “market-value” offers and reducing transaction costs. Indeed, Opendoor provided consumers selling their homes with a chart comparing the consumers’ projected net proceeds from selling to it versus selling “traditionally” by listing on the market. These charts almost always projected that consumers would receive thousands more by selling to Opendoor, even accounting for Opendoor’s

substantial fee. In fact, the vast majority of consumers who sold to Opendoor lost thousands compared to what they would have realized in net proceeds from selling on the market because Opendoor's offers have been below market value on average and its costs have been significantly higher than what consumers typically pay.

5. Opendoor designed its marketing to convince consumers that they would make more money selling their homes to it. Opendoor's advertising and website promised "fair market" or "market value" offers with lower costs. When consumers requested an offer, Opendoor provided a multi-page document claiming to provide a market-value offer and a custom chart comparing the net proceeds the consumer should expect from selling to Opendoor versus on the market. For more than █ percent of consumers who received these comparisons and sold to Opendoor, the comparisons projected that the consumers would realize more in net proceeds selling to Opendoor.

Opendoor Promised Consumers "Market Value" for Their Homes.

6. Respondent advertised its home-buying service by claiming that Opendoor made "fair market" or "market value" offers. For example, on Facebook, Opendoor claimed that it allows consumers to "[g]et a fair market offer on [their] home without ever listing."



7. Opendoor similarly claimed on social media that its offers represent "our best estimate of full market value":



8. Opendoor’s mail advertisements encouraged consumers to request offers from Opendoor to find out “how much [their] home is worth” and claimed that:

Until now, there hasn’t been a fast and simple way to check on the true market value of your home. At opendoor.com you can see how much your home is worth in minutes. Our [local] real estate experts use market data and an assessment of comparable homes near you to prepare your home price.

Other mail advertisements represented that Opendoor “aim[s] to make a competitive, fair market offer on your home using the most current data.”

9. An Opendoor video ad similarly represented that consumers who go through the process of selling their homes on the open market could get “the same offer from Opendoor” without ever listing.

10. Opendoor’s ads encouraged consumers to visit opendoor.com to request an offer. The website represented that Opendoor “aim[s] to offer fair market value for your home and take a service charge that enables us to provide world-class service from offer to closing.” It further claimed that Opendoor does not make money from a “buy-low, sell-high” strategy. Similarly, if consumers called Opendoor for more information, its call scripts instructed phone representatives to say that “Opendoor only makes a small amount on each sale.”

11. A video on Opendoor’s website further explained that it uses home-sales data, “local real estate experts,” and sophisticated technology to provide “market value” offers:

Every Opendoor offer relies on our robust data model that analyzes thousands of recent home sales in your market, as well as insights from our teams of local real estate experts.

12. The website has also encouraged consumers planning to list on the market to request an Opendoor offer to learn their “home’s value” because it has “a deep understanding of market conditions and trends.” Respondent has specifically represented that Opendoor’s calculation of “home value” “is an estimation of what your home is worth. Also referred to as fair market value, it’s the price that a willing and informed buyer and a willing and informed seller can agree on.”

13. Opendoor also sent emails promising a “competitive market price” and stating, “You deserve nothing less than what your home is worth.”

Opendoor Promised to Provide Lower Costs than Traditional Sales.

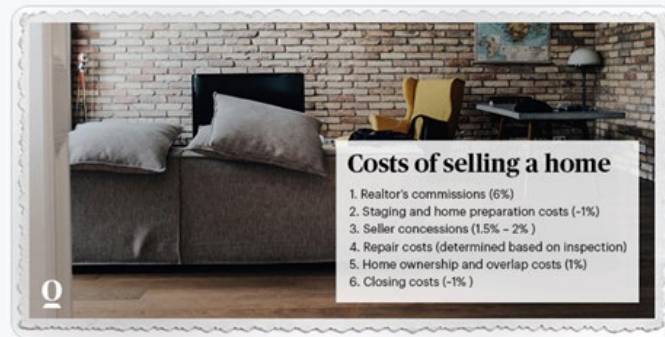
14. Opendoor’s advertising invited consumers to compare Opendoor’s costs to costs associated with selling on the open market. For example, it ran the following ads on Facebook and Twitter, respectively:

 **Opendoor**
Published by  Mavis Huang [?] · March 12, 2018 · 

Selling a home on the market often costs more than the 6% commission fees. When you sell to Opendoor, we estimate the entire cost upfront so you'll have a better sense of your net proceeds. See how our costs compare to a traditional sale: <http://bit.ly/2f06dhd>



 **Opendoor**  @Opendoor · Mar 12, 2018 
Selling a home on the market often costs more than the 6% commission fees. When you sell to Opendoor, we estimate the entire cost upfront so you'll have a better sense of your net proceeds. See how our costs compare to a traditional sale: bit.ly/2f06dhd



15. Opendoor's website similarly claimed that its purported lower cost structure allows it to provide more net proceeds than what consumers would obtain from a traditional sale:

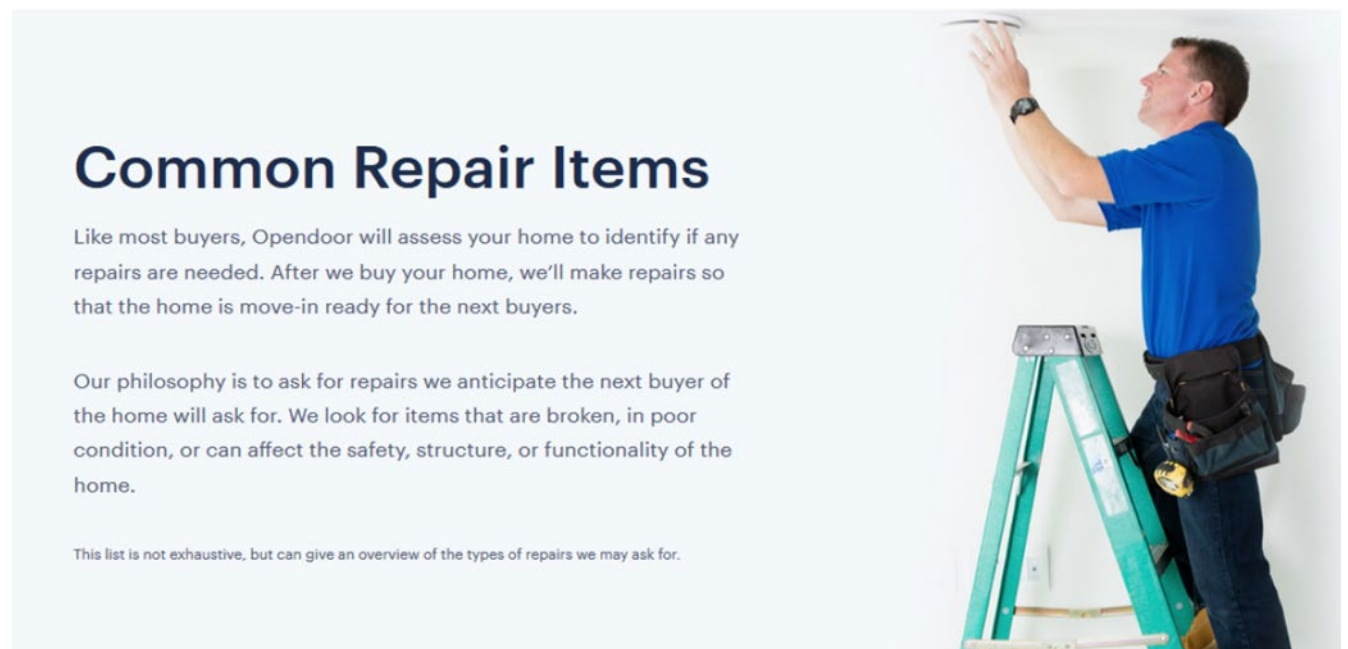
A common misconception is that you won't sell your home for top-dollar because our fee is higher than agent commissions. When you consider the cost savings we outlined above and the full range of services we provide, your net proceeds can be higher with Opendoor.

16. Opendoor expressly claimed that its only source of profit is from its fee, which generally ranged from six to fourteen percent of the offer price. Opendoor's website represented that the

fee mostly consisted of costs that Opendoor anticipates paying to resell the home and that its profit was only “1% of our total service charge,” and an “amount we collect for providing a stress-free experience.” On a page titled, “How Opendoor calculates the value of your home,” the website explained,

We don’t try to make “low ball offers” because, unlike a home flipper, our business model isn’t based on buying low and selling high. The way we make money is by charging a fee for our service.

17. Opendoor’s website represented that it may require that the consumer make or pay for repairs Opendoor identifies after an in-person assessment of the property. However, the website also claimed that Opendoor merely requests the same repairs that consumers would otherwise have to make or pay for in a traditional sale. As shown in the image below, Opendoor has stated that it “ask[s] for the repairs we anticipate the next buyer of the home will ask for.”



18. Opendoor’s website described the repair process as designed “to make sure the house is safe and functional” and not designed “to uncover every deficiency in your home to lower the offer.” Opendoor further represented that consumers may even save money on repairs if they sell to it because “we do our best to pass wholesale savings on to you from our partnerships with local vendors.”

19. Opendoor also sent emails assuring potential consumers that the company’s “goal is not to make money from repairs—in fact, we pass any discounts from our vendors directly to you.”

20. To illustrate the likely savings from selling to Opendoor, its website used its “home sale calculator” and a home with a \$200,000 market value to demonstrate that consumers who choose Opendoor would save an estimated \$4,400 over the costs of traditional sales:

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