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Comment Text:

I am Ryan Sandler, the founder and CEO of Truework, a software company that allows people to verify income and employment information quickly, easily and safely, allowing them to close everything from loans to rental applications to mortgages to job candidates faster. Kalshi's proposal to open up hedging tools for electoral risk is prudent and safe for our nation, and the CFTC should allow it to proceed.

Our company, like all other companies in America, is impacted by federal policy. If the government changes tax deduction law or regulations or the financial conditions surrounding the mortgage or rental market, then demand for our product could change. Financial reform bills that affect the information needed to be collected for loans also affect our business. Tax deduction laws such as those affecting mortgage interest rate deduction affect the number of individuals applying for mortgages. The elephant in the room is the macroeconomy; recessions, inflation, and other macro shocks affect our company just like every other company in America. And it would be foolish to disregard the effect that Congress has on the overall economy, especially on hiring and the price level. From that perspective, political risks are the same as any other kind of risk. To answer the question regarding whether this contract is suitable for hedging considering its specs, the answer is an unqualified yes.

Consider the following example. Everyone in our line of business is at risk for a slowdown in lending. One factor that could lead to such a credit crunch would be a US debt default, or at least heightened fears of a default, an event whose probability rises if there is a split Congress. This is a risk that is currently unhedgeable. For instance, after the 2010 midterm elections, the Democratic Party controlled the Senate, while the Republican Party controlled the House. It was abundantly clear during the campaign season that the two parties have very different views on the federal deficit and debt and that this would be a major source of tension should a split Congress occur. Unsurprisingly, a scant few months after the new Congress was seated, there was a major debt ceiling showdown, with widespread fears of US default. Lending and engaging in other forms of long-term financial activity is incredibly difficult in that environment. For a company that relies on loan volume, that is a risk that needs to be hedged. This example illustrates not just the risk Congressional control poses to small businesses, but how identifiable these risks are prior to the election itself. When the CFTC asks a question regarding the predictability of election results, they should consider that the abundance of rhetoric, policy documents and previously introduced bills makes it such that informed observers actually have quite a good understanding of what expected future policy changes will look like. The hedging value is very real, and I am confident that the CFTC will make the right decision by allowing these contracts to become available.