House Commerce Committee

Meeting Agenda

Wednesday, March 4, 2026

10:00 a.m.

523 Irvis Office Building

Call to Order

10:00 Opening Remarks by Chairman Conklin and Chairman Lawrence

10:05 Remarks by Representatives Venkat, Twardzik, and Powell

10:10 Panel 1: The Coalition for Home Equity Partnership (CHEP)

Jim Riccitelli
Chief Executive Officer
Unlock Technologies, INC

Lee Kaplan
Chief Legal Officer
Unlock Technologies, INC

Jesse Silverman
General Counsel
Hometap Equity Partners, LLC

Matthew Windsor
Deputy General Counsel
Point Digital Finance, INC

Cliff Andrews
President
Coalition for Home Equity Partnership

10:30 Panel 1: Q&A

10:35 Panel 2: Community Legal Services

Ian Charlton, Esq.
Community Legal Services for Philadelphia

10:55 Panel 2: Q&A

11:00 Panel 3: National Consumer Law Center
Andrew Pizor
Senior Attorney
National Consumer Law Center

11:20 Panel 3: Q&A

11:25 Panel 4: Real Estate & Mortgage Market Perspectives

David Friend Friend Mortgage Consulting	Wendy Gilch Founder Selling Later

11:45: Panel 4: Q&A

11:50: Closing Remarks by Chairman Conklin and Chairman Lawrence

Any other business

Adjournment

PRINTER'S NO. 2736

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2120 Session of 2026

INTRODUCED BY VENKAT, TWARDZIK, POWELL, WAXMAN, HILL-EVANS, SANCHEZ, MADDEN, CEPEDA-FREYTIZ, PROBST, WEBSTER AND TAKAC, JANUARY 7, 2026

REFERRED TO COMMITTEE ON COMMERCE, JANUARY 7, 2026

AN ACT

Amending the act of January 30, 1974 (P.L.13, No.6), entitled "An act regulating agreements for the loan or use of money; establishing a maximum lawful interest rate in the Commonwealth; providing for a legal rate of interest; detailing exceptions to the maximum lawful interest rate for residential mortgages and for any loans in the principal amount of more than fifty thousand dollars and Federally insured or guaranteed loans and unsecured, noncollateralized loans in excess of thirty-five thousand dollars and business loans in excess of ten thousand dollars; providing protections to debtors to whom loans are made including the provision for disclosure of facts relevant to the making of residential mortgages, providing for notice of intention to foreclose and establishment of a right to cure defaults on residential mortgage obligations, provision for the payment of attorney's fees with regard to residential mortgage obligations and providing for certain interest rates by banks and bank and trust companies; clarifying the substantive law on the filing of and execution on a confessed judgment; prohibiting waiver of provisions of this act, specifying powers and duties of the Secretary of Banking, and establishing remedies and providing penalties for violations of this act," in preliminary provisions, further providing for definitions.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. The definition of "residential mortgage" in section 101 of the act of January 30, 1974 (P.L.13, No.6), referred to as the Loan Interest and Protection Law, is amended and the section is amended by adding a definition to read:

Section 101. Definitions.--As used in this act:

* * *

"Residential mortgage" means an obligation to pay a sum of money in an original bona fide principal amount of the base figure or less, evidenced by a security document and secured by a lien upon real property located within this Commonwealth containing two or fewer residential units or on which two or fewer residential units are to be constructed and shall include such an obligation on a residential condominium unit. The term includes a shared appreciation agreement.

* * *

"Shared appreciation agreement" means as follows:

(a) A writing evidencing a transaction or any option, future, or any other derivative between a person and an individual under which the individual receives money or another item of value in exchange for either of the following:

(1) An interest, contingent interest or future interest in a dwelling or residential real property located within this Commonwealth that is secured by a lien upon the dwelling or residential real property located within this Commonwealth.

(2) Another future obligation, secured by a lien upon a dwelling or residential real property located within this Commonwealth, to make a payment calculated in whole or in part by reference to the value, equity or proceeds of the dwelling or residential real property located within this Commonwealth upon the occurrence of any of the following events:

(i) The transfer of ownership.

(ii) A repayment maturity date.

(iii) The death of the individual.

(iv) Another event contemplated by the writing.

(b) The term shall not include a home secured loan guaranteed, insured or otherwise offered by a government agency or government-sponsored enterprise.

Section 2. This act shall take effect immediately.

Testimony on HB 2120 – Shared Appreciation Agreements

House Commerce Committee

March 4, 2026

Rep. Arvind Venkat

Chair Conklin, Chair Lawrence, and Members of the House Commerce Committee, thank you for the opportunity to provide written testimony on HB 2120, legislation to classify shared appreciation agreements as mortgages under our Pennsylvania anti-usury statute (Act 6). Thank you also to my constituent Wendy Gilch, from whom you will be hearing today and who brought the issue of shared appreciation agreements to my attention, and to my bipartisan co-prime sponsors, Reps. Twardzik and Powell, for their partnership on this legislation.

For the vast majority of Pennsylvanians, their home and the equity they hold related to their home is their most valuable financial asset. For this reason, every state, including Pennsylvania, and the federal government have legislated rigorous standards related to transparency, consumer protection, and against predatory lending practices related to mortgages and other home-secured financial instruments. This has been in place for decades and is uncontroversial.

Shared appreciation agreements involve selling a percentage of future home appreciation in exchange for a lump sum payment now. These are novel financial instruments that are completely unregulated in Pennsylvania and in most states. In recent years, multiple states (Washington, Illinois, Maryland, and Maine), courts, and regulatory agencies have recognized that the characteristics of shared appreciation agreements, despite the claims from the industry, are in essence mortgages and should be regulated as such. These products involve liens, the possibility of foreclosure, restrictions on property use, appraisal of the home, and closing similar to what anyone would say is what they would expect with a mortgage.

But because shared appreciation agreements are not regulated as mortgages, they have characteristics that only can be described as predatory. The industry readily states that their target is individuals with poor credit and little or no financial assets beyond their home. Despite stating that there is downside risk to the lender (a term I use purposefully), the industry states that they should be allowed to discount from the appraisal of the home to take into account risk similar to that of differing interest rates (again, from the industry's own FAQ section on their coalition website). As a result, there is, as a practical matter, no downside risk for the lender. Finally, the industry states that they need a return on capital of close to 20% to be able to sell these agreements after execution to outside investors. In other words, similar to mortgage-backed securities, the industry wants to transfer ownership and any default risk into the larger financial ecosystem by demanding an extraordinarily high return on capital.

HB 2120 was drafted based on input from the Office of Attorney General and the Department of Banking and Securities. Both recognized what other states have as well – that shared appreciation agreements are very much like mortgages and therefore should have the protections that we already have established for home-secured financial instruments related to transparency, consumer protection, and against predatory lending practices.

The industry agrees that they should be regulated and, as you will hear, would like to codify in statute a specific structure unique to shared appreciation agreements. This, in my opinion, would be dangerous. Apart from that we should be wary of industry writing its own statutory requirements, in this case, the industry wishes to avoid at least two critical protections that are in place for mortgages. First, the industry does not want to perform ability-to-afford or pay assessments. Second, the industry does not want the anti-usury law cap of 6-7% on return on capital. Both are critical consumer protections that Pennsylvanians have come to rely upon when considering financial transactions involving their homes.

It is also the case that Act 6, into which HB 2120 would be amended, already contains provisions that would allow the Department of Banking and Securities to tailor regulations to the particular nature of the product in question. That already takes place with other home-secured financial instruments. Placing shared appreciation agreements in the same category as mortgages with some adaptations in regulation has been the path that other states have taken. The industry continues to function and market their product. It therefore is inaccurate, as you are likely to hear from the industry, that they will simply not sell their products in Pennsylvania should HB 2120 be enacted. Rather, they will take their case to the existing regulators for home-secured financial instruments, the Department of Banking and Securities and the Office of Attorney General. Our job as a General Assembly is to give those regulators the ability to do so.

I will conclude by suggesting the one question that is most relevant to all of us legislators. *Given the importance of homes and their value to so many Pennsylvanians, should we* *expect any less of the regulation of shared appreciation agreements as we do for every other home-secured financial instrument?* The answer emphatically is, *No, we must expeditiously bring shared appreciation agreements into a regulatory framework that is similar to that of mortgages and ensure that Pennsylvanians, when considering these transactions, can be assured of the transparency, consumer protection, and prevention of predatory lending practices that all of us have come to rely upon.*

Thank you for consideration of HB 2120. I look forward to seeing the results of your deliberations.

COALITION FOR
HOME EQUITY PARTNERSHIP

February 25, 2026

The Honorable Chairman Scott Conklin and Chairman John Lawrence
House Commerce Committee
Pennsylvania House of Representatives
523 Irvis Office Building
Harrisburg, PA 17120

Re: Opposition to House Bill 2120 – Proposed Amendment to the Loan Interest and Protection Law

Dear Chairman Conklin, Chairman Lawrence and Distinguished Members of the House Commerce Committee:

On behalf of the Coalition for Home Equity Partnership ("CHEP"), a national non-profit association representing the leading originators and servicers of shared appreciation agreements and home equity investments ("HEIs"), we respectfully submit the following comments in opposition to House Bill 2120 ("HB 2120"). CHEP is committed to advancing the highest consumer protection standards to ensure that homeowners across the Commonwealth have access to safe, transparent, and innovative financial solutions.

At the outset, we wish to be unequivocal: CHEP fully supports the regulation of shared appreciation agreements in Pennsylvania. We believe that a clear, thoughtful regulatory framework will benefit homeowners, providers, and the broader market. However, as detailed below, HB 2120 does not provide a workable framework for the regulation of these products, and in its current form would function as a de facto ban on shared appreciation agreements in the Commonwealth — eliminating a vital financial tool for Pennsylvania homeowners. We respectfully urge the Committee to decline to advance HB 2120 in its current form and instead work with CHEP and other stakeholders to develop dedicated, purpose-built legislation that properly reflects the unique structure of these products and provides homeowners with robust, tailored consumer protections.

I. PENNSYLVANIA HOMEOWNERS NEED ACCESS TO SHARED APPRECIATION AGREEMENTS

Before addressing our specific concerns with HB 2120, we believe it is important to establish why shared appreciation agreements exist and what need they serve for Pennsylvania homeowners. The shared appreciation agreement industry was created to address a real and growing gap in the financial landscape, one that is acutely felt in Pennsylvania. The data make clear that this gap

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is not theoretical. It is the daily financial reality for a significant and growing share of Pennsylvania homeowners.

Home prices in Pennsylvania have climbed 69% since 2021, while hourly wages rose only 25% over the same period. The income needed to afford a median-priced Pennsylvania home now stands between $85,000 and $86,000, a threshold that exceeds the state's median household income of $80,060. Property taxes compound the pressure further. Pennsylvania's effective property tax rate is 35% higher than the national average and was recently identified as one of the 10 highest in the country. Home insurance premiums have risen 44% since 2021. The cumulative effect is a growing population of homeowners who are equity-rich but cash-constrained, individuals who have dutifully built equity in their homes but find themselves increasingly unable to access that wealth without taking on new debt or selling their homes entirely.

That constraint shows up clearly in household balance sheets. Pennsylvania homeowners carry total household debt averaging $84,620 against a median household income of $80,060, a debt-to-income ratio of 1.11. Credit card balances have risen 11% since 2021. These are not abstract figures. They reflect households managing meaningful financial pressure with limited capacity to absorb additional monthly obligations.

Against that backdrop, the traditional home equity market is not meeting the need. Historically, homeowners seeking to access their equity had two options: take on more debt through a home equity loan or cash-out refinance, or sell. For a significant share of Pennsylvania homeowners, neither is workable. A 10-year, $100,000 second lien loan at a 9% interest rate would require monthly payments of approximately $1,300, a burden that debt-to-income constraints place out of reach for many, and that the current interest rate environment makes unattractive even for those who could qualify. Homeowners who locked in low-rate mortgages in recent years are understandably reluctant to refinance and surrender that rate simply to access their equity.

The reverse mortgage market offers little relief. In Pennsylvania, an average of only 639 Home Equity Conversion Mortgages are originated per year, in a state of more than 13 million residents, 20% of whom are aged 65 or older. Age restrictions, product complexity, and cost place reverse mortgages out of reach for many homeowners who need liquidity but do not fit the narrow profile the product was designed to serve.

Pennsylvania homeowners recognize the gap themselves. In a recent survey, 72% of Pennsylvania respondents said they believe homeowners today need new types of financing options beyond the traditional mortgage, HELOC, or home equity loan. More than 81% of Pennsylvania respondents said they wanted flexible options to access home equity without monthly payments. The two most commonly cited drawbacks of traditional home equity products among Pennsylvania respondents were high or unpredictable interest rates, cited by 37%, and high monthly payments, cited by 27.8%. Nearly two-thirds of all respondents agreed that the lack of flexibility in home equity products adds to financial stress.

Shared appreciation agreements were built to address precisely these concerns. They allow homeowners to access the value they have built without incurring new debt, making monthly payments, or relinquishing ownership of their property. In the Commonwealth, homeowners have used these products to retire high-interest credit card debt, fund home renovations, start small businesses, cover college tuition, address medical emergencies, and navigate life transitions such as divorce. For homeowners who could qualify for a traditional loan but choose not to take one, shared appreciation agreements offer flexibility, improved cash flow, and reduced financial strain. For those who cannot qualify, these products may represent the only viable means by which they can access the equity they have spent years building.

If HB 2120 is enacted in its current form, all of these homeowners would lose access to shared appreciation agreements in the Commonwealth. That outcome would not follow from a legislative determination that these products are harmful. It would follow from the imposition of a regulatory framework that these products cannot structurally satisfy.

II. SHARED APPRECIATION AGREEMENTS ARE FUNDAMENTALLY DISTINCT FROM MORTGAGE LOANS

Understanding why HB 2120's framework fails requires understanding what shared appreciation agreements are — and what they are not.

A shared appreciation agreement is a non-recourse equity investment, not a traditional mortgage loan. In plain terms, the homeowner receives a lump-sum cash payment today in exchange for agreeing to share a portion of the home's future value when the agreement is eventually settled. The homeowner incurs no new debt, is obligated to make no monthly payments, and owes no fixed principal balance with accruing interest. The financial obligation is settled solely upon the sale or refinancing of the home, or at the conclusion of the contractual term — typically 10 to 30 years. The homeowner retains full ownership and control of the property throughout the term and may settle the agreement at any time without penalty.

Because the investor receives no cash flow until settlement, and because future home values are inherently uncertain, investors in shared appreciation agreements assume significantly greater risk than traditional mortgage lenders. There is no promissory note and no obligation to repay a sum certain, and the lien securing the agreement does not secure a promise to pay money. The agreement is non-recourse, meaning the investor may look only to the property — not the homeowner personally — for purposes of settling the contract. As such, the homeowner has no personal liability and can never owe more than the home is worth.

This distinction is not merely academic. It has direct and consequential implications for how these products should be regulated.

III. EXISTING LEGAL AUTHORITY CONFIRMS THAT THE LIPL DOES NOT APPLY TO SHARED APPRECIATION AGREEMENTS

On June 15, 2020, the Governor's Office of General Counsel ("GOGC"), on behalf of the Commonwealth of Pennsylvania Department of Banking and Securities, issued a formal letter concluding that the Pennsylvania Loan Interest and Protection Law, 41 P.S. §101 et seq. ("LIPL"), did not apply to the shared appreciation agreement under review. In reaching that conclusion, the GOGC relied upon *Beckett v. Laux*, in which the Pennsylvania Superior Court identified four elements necessary for an agreement to constitute a residential mortgage — including an obligation for the consumer to repay a sum of money in an original bona fide principal amount. The GOGC found that the shared appreciation agreement in question created no such obligation, and that the security document did not secure a promise to pay a sum of money. Accordingly, the agreement was not a "residential mortgage loan" within the meaning of the LIPL.

CHEP is unaware of any authority that has contradicted or superseded the conclusions of the GOGC since June 15, 2020. Further, to our knowledge, the Department of Banking and Securities has not revisited or withdrawn this guidance. The industry has continued to operate in Pennsylvania in reasonable reliance on those conclusions. HB 2120, by seeking to redefine the LIPL to encompass shared appreciation agreements, would overturn that settled understanding without providing any alternative framework capable of accommodating the structural realities of these products.

IV. HB 2120'S MORTGAGE FRAMEWORK CANNOT BE APPLIED TO SHARED APPRECIATION AGREEMENTS

By defining shared appreciation agreements as a form of residential mortgage, HB 2120 automatically subjects these products to the requirements and limitations of the LIPL — requirements that were never designed for, and cannot meaningfully be applied to, equity-based financing instruments.

A. Disclosure Requirements

HB 2120 would require shared appreciation agreement providers to use existing mortgage loan disclosures, including the Loan Estimate and Closing Disclosure forms. These forms were specifically designed for debt-based mortgage transactions with a bona fide principal amount, a stated interest rate, an APR determinable at consummation, monthly payment schedules, and escrow account information. None of those terms apply to a shared appreciation agreement.

Shared appreciation agreements carry no stated interest rate. The ultimate cost to the homeowner can only be determined at settlement, when the ending home value and resulting payment are known. Disclosures that assume or imply a singular interest rate would therefore be misleading by definition. Forcing providers to use these or other mortgage loan disclosure forms would not enhance consumer transparency — it would actively undermine it by presenting irrelevant information and obscuring the terms that actually matter. To be clear, our objection is not to disclosures, but to requiring disclosures that are suitable for explaining the terms, features and costs of shared appreciation products.

The industry currently utilizes purpose-built disclosures and scenario-based tools that assist consumers in estimating cost across a range of settlement and home value outcomes. CHEP has developed a model disclosure, which is attached for the Committee's reference, that has received positive initial feedback from regulators in Illinois, Oregon, and Maryland.

B. Interest Rate Caps

The amendment as proposed would subject shared appreciation agreements to the interest rate cap applicable to residential mortgages under Section 301(b) of the LIPL — the Monthly Index of Long-Term U.S. Government Bonds plus 2.5% per annum. Because shared appreciation agreements have no stated interest rate, this cap cannot be applied in any coherent or workable manner. In practical effect, HB 2120 would operate as a prohibition on shared appreciation agreements in Pennsylvania, even though the LIPL was never intended to regulate the cost of equity financing.

To understand why, it helps to consider what an interest rate cap actually does. In a traditional mortgage, a borrower receives a fixed sum and agrees to repay it over time, with interest accruing at a known rate. A rate cap limits how high that interest can go. But a shared appreciation agreement works differently — there is no loan, no interest, and no fixed repayment obligation. Instead, the homeowner receives an upfront payment in exchange for agreeing to share a portion of their home's future appreciation. What the homeowner ultimately pays back depends entirely on what the real estate market does over the life of the agreement. That figure is unknown at the time the agreement is signed and cannot be expressed as an annual interest rate, because it is not interest.

A simple illustration demonstrates this incompatibility. Suppose a homeowner receives $100,000 through a shared appreciation agreement with a ten-year term. If the home appreciates significantly, say 60%, the settlement obligation will be substantially higher than if the home appreciates modestly, not at all, or depreciates. The same agreement, the same homeowner, the same investment amount, produces a completely different outcome depending on the real estate market. Critically though, the cost cannot be expressed as a fixed annual interest rate at the time of origination, because the obligation is a function of future home appreciation that is unknown and unknowable at consummation. No interest rate cap written for fixed-rate or adjustable-rate mortgage debt can be applied to an obligation whose magnitude is determined by real estate market performance years in the future. Put differently, a cap that can only be evaluated in hindsight is not a consumer protection; it is a source of legal uncertainty that would make the product impossible to offer.

Some might suggest that the cap could still be applied mechanically, by treating the investment amount as principal and capping the total settlement at whatever that amount would grow to under the applicable rate. But this misunderstands both the product and the purpose of the LIPL cap.

The LIPL ceiling is pegged to the Monthly Index of Long-Term U.S. Government Bonds, a benchmark designed for some of the safest, most liquid instruments in the financial markets, plus a modest spread. It was built for a risk profile that bears no resemblance to equity financing, where the investor receives no periodic payments, assumes the risk that the home may not appreciate, and has no recourse if the homeowner's equity is insufficient at settlement.

Applying that benchmark to a shared appreciation agreement not only makes the product economically unviable for capital providers, but also, and more importantly, eliminates a consumer option that serves homeowners the traditional mortgage market is often unable or unwilling to accommodate. And unlike a traditional second mortgage, a shared appreciation agreement carries no monthly payment obligation — a benefit that cannot be readily quantified but is no less real or tangible. For many homeowners, the flexibility to manage their financial affairs without an additional monthly obligation is precisely what makes the product a viable path forward, whether as an alternative to high-interest credit cards and personal loans or as a source of liquidity to fund home renovations, pay for college, or start a small business.

That distinction matters for policy. The secondary mortgage rate framework under the Mortgage Licensing Act, 7 P.S. §6125(b)(2)(i), reflects a rate environment calibrated for higher-risk, subordinate lending — and shared appreciation agreements in second lien position, which represent approximately 85% of the market, can operate responsibly within that framework. CHEP's members have demonstrated as much through their own cost caps, which limit annualized returns to no more than 20%, and when agreements are held to maturity the annualized cost to the consumer can fall below 10% depending on the level of home price appreciation over the term.

These are not the figures of a predatory product in need of a blunt rate ceiling; they are the figures of a market that has exercised responsible self-discipline. The LIPL cap, by contrast, would not regulate shared appreciation agreements: it would eliminate them, leaving the homeowners who depend on them without a meaningful alternative

Moreover, we note that HB 2120 fails to address whether a subordinate lien shared appreciation agreement — approximately 85% of which are in second lien position — would be subject to the separate interest rate requirements applicable to secondary mortgage loans under the Mortgage Licensing Act, 7 P.S. §6125(b)(2)(i), which permits a monthly rate not exceeding 1.85%. This ambiguity creates additional regulatory uncertainty and underscores the need for a purpose-built legislative framework.

C. Ability-to-Repay and Other Mortgage Requirements

The cornerstone consumer protection rule of the mortgage industry — the Ability-to-Repay ("ATR") rule — requires lenders to verify a borrower's income to ensure the affordability of monthly payments. The logic is straightforward: if a borrower cannot demonstrate sufficient income to cover a recurring payment obligation, the loan poses an unacceptable risk of default and financial hardship. That logic, however, depends entirely on the existence of a monthly payment obligation.

Because shared appreciation agreements entail no such obligation, the ATR rule is inapplicable on its face.

The problem runs deeper than a technical mismatch. Imposing an ATR analysis on shared appreciation agreements would not simply add a procedural hurdle; it would systematically exclude the homeowners who stand to benefit most from the product. Consider the retired homeowner on a fixed income who has spent decades building equity in their home. Under a traditional ATR analysis, modest monthly income may disqualify that homeowner from accessing the equity they have earned, regardless of how substantial that equity may be. A shared appreciation agreement asks nothing of that homeowner on a monthly basis; the settlement obligation arises only upon sale, refinance, or the end of the agreement term, at which point the equity is there to satisfy it. Applying an income-based affordability test to a product with no monthly payment obligation conflates two fundamentally different risk profiles and produces a result that is neither logical nor fair.

Homeowners with significant equity but modest fixed incomes, retirees, the elderly, those living on Social Security or pension income, represent precisely the population for whom shared appreciation agreements provide a meaningful and responsible path to liquidity. These are not high-risk borrowers seeking to overextend themselves. They are homeowners with real assets seeking access to the value they have built, without taking on the burden of additional monthly debt service. Foreclosing that option through the mechanical application of an inapplicable rule does not protect these consumers; it leaves them with fewer choices and pushes them toward less suitable alternatives.

Such an outcome would directly undermine the goals of financial inclusion and consumer choice that this Committee seeks to advance. A regulatory framework that excludes asset-rich, income-modest homeowners from a product purpose-built for their circumstances is not a consumer protection; it is a barrier to the very consumers who need options the most.

V. INDUSTRY COMMITMENT TO CONSUMER PROTECTION AND RESPONSIBLE REGULATION

CHEP and its members are not opposed to regulation — we actively welcome it. We recognize that, as with any financial product, legitimate questions arise regarding cost, complexity, and consumer protection. These are the right questions, and they are questions the industry asks of itself.

We are committed to developing a regulatory framework that reflects the ethos and spirit of consumer protection found in lending law, while accounting for the structural differences that distinguish shared appreciation agreements from traditional mortgage products. The framework CHEP has drafted and attached to this letter includes:

- **Licensing and Supervisory Oversight:** A robust licensing process, potentially through a multi-state licensing system, with thorough background investigations for applicants and their control persons, and supervisory authority vested in the Department of Banking and Securities, including the power to inspect operations, enforce compliance, issue cease and desist orders, and pursue civil enforcement. (See Model Legislation, Section 2.)

- **Disclosure Requirements:** Comprehensive, plain-language disclosures to homeowners regarding the investment's terms, risks, settlement processes, and illustrative financial outcomes — presented in a format designed specifically for equity-based products, not adapted from mortgage loan forms. (See Model Legislation, Section 10; see also attached CHEP Model Disclosure.)

- **Consumer Protections:** Annualized price caps on costs and fees regardless of pricing structure or home appreciation, ensuring that the maximum cost to the homeowner has a defined ceiling; underwriting standards designed to ensure that homeowners preserve a minimum portion of their home equity; clear standards for independent home valuation; and a minimum three-day right of rescission to ensure homeowners have adequate time to review and seek independent counsel before committing. (See Model Legislation, Section 9.)

- **Prohibited Practices:** Prohibition of prepayment penalties, blanket restrictions on refinancing that disadvantage consumers, and all unfair, deceptive, or abusive acts and practices. (See Model Legislation, Section 11.)

To be clear, all CHEP members currently and voluntarily cap the cost of their products. The industry is fully supportive of statutory cost caps — but those caps must be designed to account for the structure of equity-based products and will necessarily operate differently from the interest rate caps found in the LIPL or the Mortgage Licensing Act.

CHEP has been actively engaged with regulators and legislators in Illinois, Maryland, Connecticut, Washington, and Oregon, and stands ready to share the perspectives and lessons gained through those processes with stakeholders in the Commonwealth.

VI. CONCLUSION

Pennsylvania homeowners deserve access to innovative, consumer-protective financial tools — and they deserve a regulatory framework that governs those tools with clarity, precision, and a genuine understanding of how they work. HB 2120, as currently drafted, would deny homeowners access to shared appreciation agreements by imposing a mortgage regulatory framework that is structurally incompatible with these products, while providing none of the tailored consumer protections that the industry itself supports.

CHEP respectfully urges the Committee to decline to advance HB 2120 in its current form and instead to engage with CHEP, its members, and other stakeholders in the development of dedicated legislation that establishes a workable, consumer-protective regulatory framework for shared appreciation agreements in Pennsylvania. We would welcome the opportunity to meet with members of the Committee and relevant stakeholders at the earliest convenient opportunity to present our model legislation, discuss the consumer experience in detail, and answer any questions the Committee may have.

Respectfully submitted,

C Andrews

Cliff Andrews
President
Coalition for Home Equity Partnership

Enclosures:

1. GOGC Letter dated June 15, 2020
2. CHEP Model Disclosure
3. CHEP Model Legislation

COMMONWEALTH OF PENNSYLVANIA
GOVERNOR'S OFFICE OF GENERAL COUNSEL

June 15, 2020

Via Electronic Mail:

Kathryn L. Ryan, Partner
2001 M Street NW, Suite 500
Washington, DC 20036
kryan@buckleyfirm.com

Re: Unison Agreement Corp.

Dear Ms. Ryan,

The Department of Banking and Securities ("Department") recently contacted your client, Unison Agreement Corp. ("Unison"), concerning the applicability of the Pennsylvania Loan Interest and Protection Law, 41 P.S. §101 *et seq.* ("LIPL") to Unison's HomeOwner and HomeBuyer Programs ("the Programs"). The Department is in receipt of your May 14, 2020 letter discussing Unison's position that the LIPL does not apply to the Programs. Based on the information you provided, it is the Department's position that the LIPL does not apply to Unison's Programs.

Background

Unison is a California based company engaged in the business of providing financing to homeowners and home buyers across the country, including here in Pennsylvania. Unison offers current homeowners a product that provides funds based upon their current equity in their home through the HomeOwner Program. Unison also offers home buyers a product that provides funds for a down payment through the HomeBuyer Program.

Unison and the Pennsylvania consumer enter into a signed agreement that is recorded as a lien on the property. In each Program, Unison agrees to advance funds to the consumer in exchange for receiving a percentage of any appreciation in the property. The agreement establishes the current value of the property. The percentage of appreciation Unison receives varies depending on the amount of the initial advance of funds. The percentage of future appreciation Unison receives is between 20% to 70%. The agreement entitles Unison to receive the future appreciation only upon an "exercise event." The agreement between Unison and the consumer establishes four possible exercise events: (1) the sale of the property by the consumer, (2) the end of the agreement's term (30 years), (3) the death of the last surviving signatory of the agreement, or (4) a material default by the consumer that is not cured.

The consumer does have the ability to terminate the contract early by asking for a "special termination." Special termination of the agreement can occur upon request by the consumer after three or five years, depending on the term set in the agreement. Prior to this, the agreement would prohibit the consumer from an early termination unless an exercise event occurs. Upon exercising the special termination, the home is appraised to determine its current value. The consumer then must pay the amount that is greater between the initial advance of funds or the set percentage of the property's appreciation. Likewise, in the event the consumer sells their home during the initial three or five year period, the consumer is required to pay Unison the greater of the initial advance or the set percentage of the property's appreciation. However, a sale of the home *after* the initial periods, would not require the consumer to make any payments so long as the property depreciated enough in value.

Analysis

Unison maintains that the LIPL does not apply to the Programs because they are not residential mortgages. The LIPL defines a residential mortgage as:

> "an obligation to pay a sum of money in an original bona fide principal amount of the base figure, or less, evidenced by a security document and secured by a lien upon real property located within this Commonwealth containing two or fewer residential units or on which two or fewer residential units are to be constructed and shall include such an obligation on a residential condominium unit."
>
> 41 P.S. §101

Your letter dated May 14, 2020 correctly cites to *Beckett v. Laux*, a case in which the Pennsylvania Superior Court identified four elements that must be present for an agreement to be a residential mortgage.[1] Unison's position is that the Programs do not meet two of the four elements of discussed in *Beckett*, specifically, that the agreement does not create an obligation to pay a sum of money in a bona fide principal amount and that the security document does not secure an obligation to pay a sum of money.

The Department agrees with Unison's first assertion that the LIPL does not apply because the agreement does not create an obligation to pay a sum of money in an original bona fide principal amount. Because it is unknown if the property will appreciate or depreciate, the agreement only creates a *potential* obligation that the consumer pay Unison for the funds the consumer received. Unison's Programs act as an investment into the property, instead of acting as a mortgage on the property. Therefore, the LIPL does not apply to the Programs because when the agreement is made as it does not create a *definite obligation* that the consumer pay a sum of money. Since the agreement does not create an obligation required to be a residential mortgage,

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[1] *Beckett v. Laux*, 577 A.2d 1341, 1343-1344 (Pa. Super. Ct. 1990) (quoting *Anderson Contracting Co. v. Daughtery*, 417 A.2d 1227 (Pa. Super. Ct. 1979)) – "Therefore, if a transaction is to qualify as a residential mortgage four elements must be present: (1) an obligation to pay an original bona fide principal amount of *the base figure more or less*, (2) evidenced by a "security document," (3) secured by a lien upon real property in Pennsylvania, and (4) containing two or fewer residential units or on which two or fewer residential units are to be constructed."

it is not necessary for the Department to take a position regarding Unison's second assertion that the security documents do not secure an obligation to pay a sum of money.

Conclusion

In assessing the facts of this matter as represented by you and your client, it is the Department's position that the LIPL does not apply to Unison's Programs. As stated above, the Programs do not create an obligation for the consumer to repay a sum of money in an original bona fide principal amount, and therefore they are not a residential mortgage.

Pursuant to the Commonwealth Attorneys Act, 71 P.S. §732-101 et seq., the undersigned may give legal advice only to the Department and may not divulge that legal advice or other confidential matters, such as attorney-client communications, to anyone without permission from the Department. No such permission has been given in this case. Therefore, this letter is not intended to disclose privileged and confidential advice provided by the Office of Chief Counsel and may not be relied upon or construed as constituting legal advice. It is based upon the facts stated in this letter. Any change in the facts could result in an amendment or reversal of the analysis I have provided.

If you have any questions regarding this matter, please do not hesitate to contact me.

For the Commonwealth of Pennsylvania
Department of Banking and Securities

Seamus D. Dubbs
Assistant Counsel

CHEP Model Disclosure — Filled Out Example

Unlock Home Equity Solutions
1230 West Washington Street, Suite 310, Tempe, AZ 85288

This Investment Closing Disclosure is a final statement of terms and closing costs. Compare this document with your Investment Estimate.

Investment Closing Disclosure

Closing Information		Transaction Parties		Investment Information	
DATE ISSUED	10/8/2025	**APPLICANTS**	Marty McFly 123 Michigan Ave Chicago, IL 60611	**OCCUPANCY**	Principal Residence
CLOSING DATE	10/8/2025			**AGREEMENT #**	123-456-7890
SETTLEMENT AGENT	Acme Title				
FILE #	IL-12345678	**ORIGINATOR**	Unlock Home Equity Solutions	**PREPAYMENT PENALTY**	☐ No ☐ Yes (describe) ______
PROPERTY	123 Michigan Ave Chicago, IL 60611				

Agreement Type: **"Shares Home Value"** - With this type of shared equity product, you receive a lump sum investment from your provider up front equal to a certain percentage of your home's current value in exchange for a larger percentage of your home's future value.

Investment Terms		Explanation
Starting Home Value	$500,000.00	Current estimated fair market value of your home. Determined by: ☐ Appraisal ☐ AVM ☐ BPO ☐ Other (describe)______ See "Appraisal Considerations" on Page 7 for more information.
Investment Payment	$50,000.00	The gross amount invested in your home up front by Unlock.
Investment Percentage	10.00%	Investment Payment expressed as a % of Starting Home Value.
Exchange Rate	1.80x	A multiplier used to price your Home Equity Agreement.
Unlock Percentage	18.00%	Percentage of the Ending Home Value that Unlock will receive when your Home Equity Agreement ends. (Investment Percentage of 10.00% X Exchange Rate of 1.80 = 18.00%).
Investment Property Premium	0.20x	Your occupancy declaration is "Principal Residence." If you convert your property to a dedicated "Investment Property" during the term of your Home Equity Agreement, the Investment Property Premium of 0.20 will permanently apply, increasing your Exchange Rate to 2.00x and increasing your Unlock Percentage to 20.00%. (Investment Percentage of 10.00% X Exchange Rate of 2.00 = 20.00%). See "Occupancy-Related Provisions" on Page 8 for more information.
Annualized Cost Limit	19.90%	Maximum cost of your Home Equity Agreement per year from start to end, expressed as a percentage. Limits the amount of your Settlement Payment if your home's value rises more significantly or the agreement ends in the early years. If the law sets a more restrictive limit, that limit will apply.
Origination Fee	$2,450.00	This fee, equal to 4.90% of your Investment Payment, will be paid to Unlock at closing by deducting it from the Investment Payment.
Expiration Date, Term and Settlement	10/08/2035	**You will be required to settle your Home Equity Agreement on or before the Expiration Date.** The Expiration Date of your agreement is exactly 10 years from the Effective Date. You can settle your agreement by selling your home or buying Unlock out, at a time of your choosing, subject to the maximum 10 year term. In certain circumstances, your heirs or estate may be required to settle the agreement upon your death. See "More About Ending The Home Equity Agreement " on Page 8 for more information.

IMPORTANT

You are not required to complete a Home Equity Agreement transaction just because you have received this disclosure or completed an application. If you proceed with this transaction, Unlock will have a lien on your property and a shared interest in your home. If you do not meet your obligations under the Home Equity Agreement, you could lose your home and any money you have put into it.

If you setttle your Home Equity Agreement in connection with a sale of your home, your obligation to Unlock may include some of all of the sale proceeds.

Please read this disclosure, the Home Equity Agreement legal documents and all other materials from Unlock carefully. You may wish to speak with a financial professional or an attorney before proceding. Your agreement may affect your taxes, so you may also wish to speak with a qualified tax advisor.

Net Closing Proceeds		
Closing Costs, Expenses And Credits	$3,875.00	$2,450.00 Origination Fee + $1,145.00 in Third Party Transaction Expenses + $280.00 in Other Expenses - $0.00 in Credits.
Net Cash To You At Closing	$46,125.00	Transaction Amount of $50,000.00 - $3,875.00 in Closing Costs, Expenses And Credits - $0.00 in Payoffs to Third Parties. See the Net Closing Proceeds calculation on Page 6.

Settlement Information	
Settlement	A Home Equity Agreement works differently from a traditional mortgage loan. With a mortgage loan, you make monthly payments that gradually reduce your loan balance until it's paid off. Cost of the loan is generally known up front. With a Home Equity Agreement, there are no monthly payments, and cost isn't known up front. Cost depends on your home's future value and when the agreement ends. Your Home Equity Agreement typically ends when you sell your home, or at your option, you choose to end the agreement without a home sale by buying out the agreement prior to or at the agreement's maximum term. At settlement, you will make a lump sum Settlement Payment, either from the home sale proceeds or separately if no home sale occurs. The payment amount is based on the Ending Home Value and the timing of settlement. The amount of your obligation typically grows over time, so when the agreement ends you will likely need to make a single payment that will be much larger than the amount you originally received. Settlement details are provided in your agreement.
Ending Home Value	Equals the value of your home at the time your Home Equity Agreement settles. If your agreement is ending in connection with a sale of your home, Ending Home Value will typically equal the sale price. If your agreement is ending without a sale of your home, Ending Home Value will be determined by a professional third-party valuation method that is consistent with generally accepted property valuation standards in use at that time, which may include one or more of the following: appraisal, AVM, BPO, or new methods which may be developed.
Settlement Payment	Equals the lesser of the following two amounts: 1. Ending Home Value multiplied by the Unlock Percentage (this is the uncapped amount). 2. Annualized Cost Limit applied to the Investment Payment over the term length (the exact number of days that have elapsed from the Effective Date to the Settlement Date), compounded annually (this is the capped amount). If the law sets a more restrictive limit, that limit will apply. The capped Settlement Payment will increase every day until you settle your agreement. The capped Settlement Payment is typically the lesser value in the early years of the agreement. If you owe Unlock other amounts for things like unreimbursed protective advances or unpaid administrative fees, those amounts will be added to the Settlement Payment at termination. You will also pay typical transaction expenses for things like appraisal, reconveyance, and/or recording fees.
Annualized Cost	The cost of your Home Equity Agreement expressed as an investment percentage return from start to end. It is calculated exclusive of the Origination Fee and all transaction expenses. Although your Home Equity Agreement has no interest rate, Annualized Cost can provide a useful way to compare the cost of your Home Equity Agreement to the interest rate on a loan. When making such a comparison it may also be useful to consider that with a loan you make payments every month and with the Home Equity Agreement the entire cost, other than the upfront Origination Fee and transaction expenses, is deferred until the time of settlement. Calculating Annualized Cost also provides the means by which the Annualized Cost Limit is applied.
Cost Is Unknown Up Front	**Ending Home Value and when you will settle your agreement are unknown up front. Therefore, the dollar amount of your Settlement Payment and the Annualized Cost of your Home Equity Agreement cannot be determined up front.** Because the cost of a Home Equity Agreement cannot be known up front, and because there is no interest rate, cost cannot be disclosed as a single percentage number, as is customary with an APR disclosure for a traditional mortgage loan. Instead, a scenario-based approach is used to disclose cost under various scenarios for future home value and time to settlement.

Settlement Examples

Settlement Example 1

This example provides full details of the calculations needed to determine the Settlement Payment and Annualized Cost. There are five simple steps. The example demonstrates a scenario where the home value increases and the term is longer. It results in a share-based outcome.

Step 1: Determine ending assumptions:

Agreement outstanding for 10 Years
Ending Home Value: $740,000 (approximately 4% annual price appreciation)

Step 2: Calculate the share-based Settlement Payment

Ending Home Value X Unlock Percentage = share-based Settlement Payment
$740,000 X 18.00% = $133,200

Step 3: Calculate the capped Settlement Payment*

Investment Payment X (1 + Annualized Cost Limit) ^ (Term Days / 365) = capped Settlement Payment
$50,00 X (1 + 19.90%) ^ (3,650 / 365) = $307,017

Step 4: Actual Settlement Payment = lower of two calculations above = $133,200

In this example actual Settlement Payment is: ☒ Share-Based ☐ Capped

Step 5: Calculate Annualized Cost*

(Settlement Payment / Investment Payment) ^ (365 / Term Days) - 1 = Annualized Cost
($133,200 / $50,000) ^ (365 / 3,650) - 1 = 10.3%

*Term Days = exact number of days that passed between the Effective Date of your agreement and Settlement Date.
This is a 10-year example. Leap years are ignored. Assuming 365 days per year results in 3,650 Term Days.

Settlement Example 2

This example demonstrates a scenario where the home value increases and the term is shorter. It results in a capped outcome.

Step 1: Determine ending assumptions:

Agreement outstanding for 2 Years
Ending Home Value: $540,000 (approximately 4% annual price appreciation)

Step 2. Share-based Settlement Payment = $540,000 X 18.00% = $97,200

Step 3. Capped Settlement Payment = $71,880 (see example 1 for calculation method)

Step 4. Actual Settlement Payment = $71,880 Settlement Payment is: ☐ Share-Based ☒ Capped

Step 5. Annualized Cost = 19.9% (see example 1 for calculation method)

Settlement Example 3

This example demonstrates a scenario where the home value decreases. It results in a share-based outcome.

Step 1: Determine ending assumptions:

Agreement outstanding for 2 Years
Ending Home Value: $375,000 (approximately 25% annual price decline)

Step 2. Share-based Settlement Payment = $375,000 X 18.00% = $67,500

Step 3. Capped Settlement Payment = $71,880 (see example 1 for calculation method)

Step 4. Actual Settlement Payment = $67,500 Settlement Payment is: ☒ Share-Based ☐ Capped

Step 5. Annualized Cost = 16.2% (see example 1 for calculation method)

IMPORTANT

Because the Unlock Percentage is greater than the Investment Percentage, your Settlement Payment can exceed your Investment Payment even if the Ending Home Value is less than the Starting Home Value.

Your Settlement Payment will exceed the Investment Payment if the Ending Home Value exceeds $277,777.78.

Settlement Examples	
	The tables below display Ending Home Value, Settlement Payment and Annualized Cost for future home price change scenarios ranging from -2% to 6% (compounded annually) and settlement time scenarios for years 1 through 10. **THESE ARE EXAMPLES ONLY. YOUR ACTUAL SETTLEMENT PAYMENT AMOUNTS COULD BE HIGHER OR LOWER THAN SHOWN HERE. ACTUAL HOME PRICES COULD RISE MORE THAN SHOWN, WHICH WOULD RESULT IN LARGER SETTLEMENT PAYMENTS AND HIGHER ANNUALIZED COSTS**. The tables work together; for each Ending Home Value the corresponding Settlement Payment and Annualized Cost are displayed. To use the tables, make an assumption about future home price change and time to settlement, choose the corresponding row and column and locate the intersection point to find the Ending Home Value, Settlement Payment and Annualized Cost. For example, if you assume home prices will rise by 4% per year and you will exit your Home Equity Agreement after 7 years, your estimated Ending Home Value will be $657,966, your estimated Settlement Payment will be $118,434 and your estimated Annualized Cost will be 13.1%. See the cells highlighted below. The tables help you see how cost changes with longer or shorter terms and with varying home price increases or decreases. Dark shaded cells indicate where the Annualized Cost Limit applies. The Annualized Cost Limit usually applies in the early years or when home prices rise more signifcantly. It is less likely to apply later.
Cost Scenario Tables	

Ending Home Value Table

	Settlement Year									
	1	2	3	4	5	6	7	8	9	10
-2% Annual Change In Home Value	$ 490,000	$ 480,200	$ 470,596	$ 461,184	$ 451,960	$ 442,921	$ 434,063	$ 425,382	$ 416,874	$ 408,536
0% Annual Change In Home Value	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000
2% Annual Change In Home Value	$ 510,000	$ 520,200	$ 530,604	$ 541,216	$ 552,040	$ 563,081	$ 574,343	$ 585,830	$ 597,546	$ 609,497
4% Annual Change In Home Value	$ 520,000	$ 540,800	$ 562,432	$ 584,929	$ 608,326	$ 632,660	$ 657,966	$ 684,285	$ 711,656	$ 740,122
6% Annual Change In Home Value	$ 530,000	$ 561,800	$ 595,508	$ 631,238	$ 669,113	$ 709,260	$ 751,815	$ 796,924	$ 844,739	$ 895,424

Settlement Payment Table

	Settlement Year									
	1	2	3	4	5	6	7	8	9	10
-2% Annual Change In Home Value	$ 59,950	$ 71,880	$ 84,707	$ 83,013	$ 81,353	$ 79,726	$ 78,131	$ 76,569	$ 75,037	$ 73,537
0% Annual Change In Home Value	$ 59,950	$ 71,880	$ 86,184	$ 90,000	$ 90,000	$ 90,000	$ 90,000	$ 90,000	$ 90,000	$ 90,000
2% Annual Change In Home Value	$ 59,950	$ 71,880	$ 86,184	$ 97,419	$ 99,367	$ 101,355	$ 103,382	$ 105,449	$ 107,558	$ 109,709
4% Annual Change In Home Value	$ 59,950	$ 71,880	$ 86,184	$ 103,335	$ 109,499	$ 113,879	$ 118,434	$ 123,171	$ 128,098	$ 133,222
6% Annual Change In Home Value	$ 59,950	$ 71,880	$ 86,184	$ 103,335	$ 120,440	$ 127,667	$ 135,327	$ 143,446	$ 152,053	$ 161,176

Annualized Cost Table

	Settlement Year									
	1	2	3	4	5	6	7	8	9	10
-2% Annual Change In Home Value	19.9%	19.9%	19.2%	13.5%	10.2%	8.1%	6.6%	5.5%	4.6%	3.9%
0% Annual Change In Home Value	19.9%	19.9%	19.9%	15.8%	12.5%	10.3%	8.8%	7.6%	6.7%	6.1%
2% Annual Change In Home Value	19.9%	19.9%	19.9%	18.1%	14.7%	12.5%	10.9%	9.8%	8.9%	8.2%
4% Annual Change In Home Value	19.9%	19.9%	19.9%	19.9%	17.0%	14.7%	13.1%	11.9%	11.0%	10.3%
6% Annual Change In Home Value	19.9%	19.9%	19.9%	19.9%	19.2%	16.9%	15.3%	14.1%	13.2%	12.4%

Closing Statement Details

Investment Costs	Homeowner Paid At Closing	Homeowner Paid Before Closing	Paid by Others
A. Origination Charges	**$2,450.00**		
01 Unlock Origination Fee (4.90%)	$2,450.00		
02			
03			
04			
05			
06			
07			
08			
B. Third-Party Transaction Expenses	**$1,145.00**		
01 Appraisal Cost to Acme Appraisal	$350.00		
02 Inspection Cost to Acme Inspection	$300.00		
03 Title - Settlement to Acme Title	$495.00		
04 to			
05 to			
06 to			
07 to			
08 to			
C. TOTAL INVESTMENT COSTS (Homeowner Paid)	**$3,595.00**		
Investment Costs Subtotals (A + B)	$3,595.00		

Other Expenses	Homeowner Paid At Closing	Homeowner Paid Before Closing	Paid by Others
D. Taxes and Other Government Fees	**$150.00**		
01 Recording Fees - Mortgage to Acme Title	$150.00		
02 to			
03 to			
04 to			
E. Other	**$130.00**		
01 Counseling Expense to Acme Counseling			
02			
03			
04			
F. TOTAL OTHER EXPENSES (Homeowner Paid)	**$280.00**		
Other Expenses Subtotals (D + E)	$280.00	$0.00	

G. CREDITS	**$0.00**
H. TOTAL COSTS, EXPENSES AND CREDITS (C + F + G)	**$3,875.00**

Payoffs

TO	AMOUNT
01	
02	
03	
04	
05	
06	
07	
08	
09	
10	
11	
12	
13	
14	
15	
TOTAL PAYOFFS (I)	$0.00

Net Closing Proceeds

Use this table to see what has changed from your Investment Estimate.

	Investment Estimate	Final	Did this change?
Investment Payment	$50,000	$50,000	**NO**
Costs, Expenses And Credits (H)	- $3,500	- $3,875	**YES**
Closing Costs Paid Before Closing	+ $0	+ $0	**NO**
Total Payoffs (I)	- $0	- $0	**NO**
Net Closing Proceeds	**$46,500**	**$46,125**	

Other Important Terms	
Provisions Related To Future Borrowing Against Your Home	Your Home Equity Agreement may contain provisions that limit your ability to borrow against your home as long as the agreement remains outstanding. Restrictions may apply to "cash out" or "rate/term" refinance loans, home equity lines of credits or loans, or new loans. You should review your Home Equity Agreement transaction documents to make sure you fully understand the impact of these provisions. It is also possible that a lender will not lend on a property that is subject to a Home Equity Agreement lien to the same extent or on the same terms as they would for a property that is not subject to a Home Equity Agreement lien. Therefore, even in a situation in which Unlock does not restrict a certain future loan, it is possible that you will need to terminate your Home Equity Agreement in order to complete that future loan.
Appraisal Considerations	Appraisals, AVMs (Automated Valuation Models) and BPOs (Broker Price Opinions) are professional third-party estimates of value but may not represent the actual value that your home would sell for. Unlike a traditional mortgage loan, Starting Home Value and Ending Home Value factor directly into the calculations that ultimately determine the cost of your Home Equity Agreement. If a professional estimate of your home's value differs from actual value, either at the start or the end of your Home Equity Agreement, there could be a material impact on cost, which means your Settlement Payment could be higher or lower.
Information About Default And Foreclosure	In the case of a material and uncured default, Unlock will have the right to take action to protect its investment, including initiating a foreclosure proceeding on your property in accordance with applicable law. **IF YOU DO NOT CURE THE DEFAULT WITHIN THE TIME PERIODS PROVIDED UNDER APPLICABLE LAW YOU COULD LOSE YOUR PROPERTY.** Events of default include the following: Falling behind on mortgage payments, property taxes, property insurance or other home-related obligations Allowing the condition of your home to deteriorate significantly or failing to restore your home to its previous condition after damage occurs Taking on additional debt in violation of the provisions of your Home Equity Agreement Violating home usage laws Becoming insolvent or declaring bankruptcy Misrepresenting or omitting material facts when communicating with Unlock Attempting to sell or transfer your property except as permitted under your Home Equity Agreement Failing to settle your Home Equity Agreement at the end of its term
Special Calculation Provisions	None

Other Important Terms

Improvement Adjustment	If you make significant improvements to your home during the term of your Home Equity Agreement, you can request an Improvement Adjustment when your agreement ends. The Improvement Adjustment typically decreases the Ending Home Value, and the Settlement Payment is then calculated based on the adjusted value. The result is that Unlock does not share in value added to the home by your improvements. The adjustment amount is determined by an independent appraisal. Certain conditions apply and there is a $10,000 materiality minimum. Please see the Product Guide for more information.
Maintenance Adjustment	The Home Equity Agreement requires you to maintain your home in good condition during the term, subject to normal wear-and-tear. If you don't, Unlock can make a Maintenance Adjustment to the Ending Home Value when your agreement ends. The Maintenance Adjustment increases the Ending Home Value, and the Settlement Payment is then calculated based on the adjusted value. The result is that Unlock does not share in value lost due to your failure to maintain the home. The adjustment amount is based on third-party appraisals, inspections and repair estimates and there is a $10,000 materiality minimum. Please see the Product Guide for more information.
Staying Current On Housing Expenses	The Home Equity Agreement requires you to maintain homeowner's insurance on your property, which you may obtain from a company of your choice that we find acceptable. You must also remain current on your mortgage, property taxes, HOA dues and any other housing expenses. Note that we may need your help in adding Unlock as a "named insured" or "loss payee" on your home insurance policy. Please see the Product Guide for more information.
Occupancy-Related Provisions	Investment Properties are generally riskier investments and are priced higher. Therefore, if your home is a Principal Residence or Second Home, you may rent a portion of it as long you continue to occupy the property, but if you convert your home to a dedicated Investment Property at any time during the term, the Investment Property Premium will permanently apply, which will increase your Exchange Rate and your Unlock Percentage. Please see the Product Guide for more information. When your Home Equity Agreement ends, if there is an existing rental agreement or tenant that is negatively impacting the Settlement Payment, you will be responsible to remove the tenant or compensate Unlock for any loss. Your use and occupancy of your home must remain fully compliant with all state, federal and local laws, zoning ordinances, and regulations, including environmental prohibitions. Please see the Product Guide for more information.
More About Ending The Home Equity Agreement	The Home Equity Agreement typically ends when the homeowner decides to sell their home or buy Unlock out. You can sell your home at any time, without any penalty. You can buy out your Unlock Agreement based on an appraised value at any time, fully or partially, without any penalty. Partial buyouts are subject to certain restrictions. You must end your Home Equity Agreement on or before the end of the 10-year term, by either buying Unlock out or selling your home. To obtain the funds needed to buy Unlock out prior to or at the end of the 10-year term, you may be able to borrow against your home, or you may qualify for a new Unlock Home Equity Agreement. At the end of the 10-year term, if you do not qualify to borrow against your home, do not qualify for a new Home Equity Agreement, and do not have another source of funds available to buy Unlock out, you may need to sell your home at that time. Upon your passing, your heirs may be required to settle with Unlock (see "Impact On Heirs" below). Please see the Product Guide for more information.
Impact On Heirs	Upon your passing, under certain circumstances a spouse or direct descendent of yours may be able to assume the Home Equity Agreement for the remainder of its term by completing an application, education and underwriting process with Unlock. It is important that you inform your spouse and descendents about this process during your lifetime so they are aware of the need to engage with Unlock in pursuit of this upon your passing. If no spouse or direct decendent assumes the Home Equity Agreement upon your passing, your heirs or estate will be required to settle with Unlock via property sale or buyout. At that time, to obtain the funds needed to buy Unlock out your heirs or estate may be able to borrow against the home or they may qualify for a new Home Equity Agreement. If they are not able to borrow or obtain a new Home Equity Agreement and do not have another source of funds available to buy Unlock out, they may need to sell the home. Please see the Product Guide for more information.

Contact Information

	Provider	Referring Partner	Settlement Agent
Name	Unlock Home Equity Solutions		Acme Title
Address	1230 West Washington Street, Suite 310, Tempe, AZ 85288		123 Main Street, Servicetown, AZ, 85202
Contact	Lotta Service		Max Servicio
Email	Lotta@unlock.com		Max@Acme.com
Phone	480-234-5678		800-456-7891

Acceptance Of Terms

By signing, you are confirming that:

1) You have received and thoroughly reviewed this Investment Closing Disclosure, and you intend to proceed with the closing of this transaction under the terms presented herein.
2) If required, before your transaction can close, you MUST complete a mandatory counseling session with an authorized independent HUD-certified counselor who will provide you with counseling on the proposed transaction. You will be responsible for the cost of such counseling only if you elect to close, and not rescind, this transaction.
3) You have been advised to review your Unlock Home Equity Agreement with your family and professional advisors, including your tax, legal and financial advisors and estate planner, and that Unlock was available to speak with any of them and did so upon your request.
4) You have received and reviewed the Unlock Product Guide and you have had all questions answered to your satisfaction.
5) Unlock has made generic Home Equity Agreement legal documents, including the Forward Sale, Option and Exchange Agreement and Security Instrument, available to you for review in advance of you signing this Investment Closing Disclosure.
6) You understand and acknowledge that you have been advised on the operation, benefits, risks, cost and terms of the Unlock Home Equity Agreement, including your choice of the Investment Payment amount, Starting Home Value, Exchange Rate, settlement calculations and the fact that cost cannot be known up front, using the sceanrio tables to understand estimated dollar amount of the Settlement Payment, Annualized Cost and Annualized Cost Limit, Origination Fee, your obligations during the term, tax impact, various ways the Home Equity Agreement can end, possible adjustments to Ending Home Value which can impact the Settlement Payment, occupancy requirements and how the Investment Property Premium can increase cost if you change your occupancy status.
7) You further understand and acknowledge that you have been advised on the impact the Home Equity Agreement may have on future borrowing secured by your home, the impact the Home Equity Agreement may have on your heirs, the requirement to settle the Home Equity Agreement at the end of the 10-year term, the lien Unlock will have on your property, default provisions and Unlock's foreclosure rights, and all other requirements and obligations of the Home Equity Agreement.

This Investment Closing Disclosure is non-binding. Unlock will draft final Home Equity Agreement contract documents for your review and signature no less than three business days after the receipt of this signed Investment Closing Disclosure. You must wait at least three (3) business days after signing and returning this Investment Closing Disclosure before signing the contract documents.

After your Unlock Home Equity Agreement is signed at closing, subject to separate instructions provided at closing, you will have the right to rescind and cancel your signed agreement within three (3) business days. Unlock will not disburse any money to you until the expiration of the three (3) day rescission period. Once Unlock has received the signed contract documents, reviewed them for validity and the rescission period has expired, Unlock will instruct the settlement agent to release funds to you consistent with the terms herein. Once you have received funds, you can no longer cancel your agreement.

Applicant Signature	Date	Co-Applicant Signature	Date

A Model Act for Shared Equity Agreements.

Chapter xxx: Shared Equity Agreements

Section 1: Definitions

Section 1. As used in this chapter the following words shall, unless the context otherwise requires, have the following meanings:

"Annualized cost"[1] means the cost of a shared equity agreement, expressed as an investment percentage return from start to finish and calculated as follows: (settlement payment / transaction amount) ^ (365 / term days) -1, where term days equals the exact number of days that passed between the effective date and the settlement date of the agreement.

"[Commissioner]" "[Director]" means the ________________ [commissioner] [director] of __________.[2]

"Control Person" means each member, director, principal officer, office manager, or controlling shareholder owning, directly or indirectly, _________ (xx%) of a legal entity, and any other person with the authority to direct the management of the legal entity.[3]

"Ending home value" means the value of the residential property that is subject to the shared equity agreement at the time of settlement.

"Instrumentality created by the United States or any state" means a federal, state, municipal government, quasi-governmental entity or a nonprofit agency or corporation incorporated under the laws of the [state/commonwealth] that has a tax exempt status granted under the provisions of section

[1] The Annualized Cost formula presented herein is the manner in which the industry calculates (and caps) the cost of the product to the consumer. The industry believes that Annualized Cost is the fairest and most accurate way in which to measure and disclose the potential cost of the shared equity agreement to the consumer. Use of an "annualized rate percentage" ("APR") utilizing TILA presents numerous concerns – the most important of which is that while an APR can be calculated accurately for an amortizing home loan because the monthly payments of principal and interest are known upfront, with a shared equity agreement the actual cost can only be determined when both the date of settlement and amount of the "settlement payment" are known.

[2] To be modified to reflect the correct title of the applicable state mortgage regulator. "Commissioner" is used throughout this model.

[3] To be conformed to align with applicable state definition of "control person."

501(c)(3) of the federal Internal Revenue Code, which exclusively makes shared equity agreements on residential property to be financed with public funds, or negotiates, places, assists in the placement of, finds, or offers to negotiate, place, assist in the placement of or find shared equity agreements on residential property to be financed with public funds only under a contract with a federal, state, or municipal government, any instrumentality thereof or any quasi-governmental entity as determined by the Commissioner. The making of a shared equity agreement shall include being named as the investor on the shared equity agreement legal documents.

"Homeowner" means the owner of the residential property that applies for or enters into a shared equity agreement.

"Starting home equity" means the homeowner's equity in the residential property as of the effective date of the shared equity agreement, expressed as a percentage and calculated as follows: 1-((senior secured debt + transaction amount) / starting home value).

"Starting home value" means the value of the residential property that is subject to the shared equity agreement at the time of origination, as agreed to by both the homeowner and the shared equity provider and does not take into account any discount or risk adjustment.

"Transaction amount" means the gross amount invested by the shared equity provider in the residential property that is subject to the shared equity agreement, before any deduction of third-party fees or amounts charged by the shared equity provider.

"Multi-state licensing system" means a system involving 1 or more states, the District of Columbia, or the Commonwealth of Puerto Rico for the sharing of regulatory information and the licensing and application processes, by electronic or other means, for shared equity providers.

"Residential property" means real property located in the State of _________ containing a dwelling house with accommodations for four or less separate households and occupied in whole or in part by either the homeowner who obtained the shared equity agreement, or a renter who pays rent directly to the homeowner.

"Senior secured debt" means any obligation secured by a lien on the residential property that would be senior to the lien securing obligations under the shared equity agreement after application of any proceeds from the shared equity investment at closing to reduce the amount of any such senior obligations.

"Settle" or "settlement" means the process by which a homeowner terminates a shared equity agreement, as set out in the terms of the shared equity agreement.

"Settlement payment" means the dollar amount that the homeowner will pay to settle a shared equity agreement, excluding any additional amounts that will be paid by the homeowner at settlement pursuant to the terms of the shared equity agreement as (i) reimbursement for payments made by the shared equity provider on behalf of the homeowner, (ii) administrative fees charged to the homeowner during the term of the shared equity agreement, or (iii) any interest charged on those payments and advances made subject to provisos (i) or (ii) of this definition that are not otherwise prohibited by law.

"Shared equity agreement" means a non-recourse transaction whereby a shared equity provider invests an outright sum of money in a homeowner's residential property in exchange for an equity interest in such property and/or a future obligation to pay a sum that can vary based on future home value upon the occurrence of one or more conditions subsequent.

Optional: A shared equity agreement is not a reverse mortgage loan under _______________.[4]

"Shared equity provider" means any person or legal entity engaged in the business of making or servicing shared equity agreements. The term shall not include: (i) a shared equity agreement holder; or (ii) a person or entity that purchases or invests solely in an interest in real estate other than a shared equity agreement.

"Shared equity agreement application" means the submission of a homeowner's financial and property information for purposes of entering a shared equity agreement.

"Shared equity agreement holder" means a person or entity that purchases and holds a pre-existing shared equity agreement, or interest therein, which is serviced by a third-party shared equity provider who is licensed under this chapter.

Section 2: Shared equity provider license requirement; exempted entities[5]

(a) License Required. No person shall act as a shared equity provider with respect to residential property unless first obtaining a license from the Commissioner.

[4] To avoid confusion, explicitly characterizing a shared equity agreement as not a form of reverse mortgage loan is critically important to the extent the state regulates reverse mortgage products.

[5] Requirements set forth in Section 2 have been drafted to provide the regulator with de novo authority to license and supervise shared equity agreements. Based on existing law, this section can be abbreviated through appropriate cross-reference to existing statutory provisions.

(b) Exemptions[6]. The following persons shall be exempt from the requirements of this chapter:

(i) any person who is employed by or associated with a licensed shared equity provider and acting under the direction of said licensed shared equity provider shall not be required to obtain such license.

(ii) any shared equity provider making [xx] or fewer shared equity agreements within any period of twelve consecutive months; provided, however, that in computing the number of shared equity agreements, there shall be counted the shared equity agreements of all partnerships, associations, trusts or corporations, the majority interest of which are owned or controlled directly or indirectly by the same person or persons, partnerships, associations, trusts or corporations.

(iii) a bank as defined in section _______________, a national banking association, a federally chartered credit union, a federal savings and loan association, a federal savings bank, or any subsidiary or affiliate of the above, insurance company, or to any bank, trust company, savings bank, savings and loan association, credit union or insurance company organized under the laws of any other state; provided, however, that except as provided herein, such provisions shall apply to any subsidiary or affiliate, as defined by the Commissioner, of any such exempted entity and of a bank holding company established in accordance with state or federal law;

(iv) any instrumentality created by the United States or any state or to any nonprofit, public or independent post-secondary educational institution within the [state/commonwealth] authorized by law to grant degrees by the [state/commonwealth], or by any agency or instrumentality thereof, for shared equity agreements made by any such educational institution to its faculty or staff, or to any charitable organization originally created by a last will and testament which makes no more than twelve shared equity agreements during a twelve month period; and

(v) a real estate broker or real estate salesperson as defined in section ____________ who, in connection with services performed in a prospective real estate transaction, provides shared equity agreement information or assistance to a buyer if such real estate broker or real estate salesperson is not compensated for the same in addition to the compensation received from the seller for such real estate services.

Section 3: License application; multi-state licensing system[7]

[6] The proposed exemptions provided herein are illustrative and intended to capture common exemptions found under state mortgage laws with respect to de minimis providers, federally regulated institutions and bank, state institutions and real estate brokers.

[7] This section was included to ensure that the NMLS platform will be used as the licensing system of record. Additional detail may be added to this section to conform Section 3 to applicable language related to NMLS integration, requirements, etc.

The application for a shared equity agreement license shall be in a form prescribed by the Commissioner. Such application shall include the name and addresses where the business of the applicant is located, and if the applicant is a legal entity, the names and addresses of each Control Person. The Commissioner may require a background investigation of each applicant for a shared equity agreement license, and each Control Person of an applicant, by means of fingerprint checks by ______________ pursuant to __________, and the Federal Bureau of Investigation for state and national criminal history record checks. Receipt of criminal history record information by a private entity shall be prohibited. Each application for a license shall be accompanied by an investigation fee. Investigation and license fees shall be determined annually by the Commissioner under section ______________.

The Commissioner may participate in a multi-state licensing system for shared equity providers. The Commissioner may establish requirements for participation by an applicant in a multi-state licensing system which may vary from the provisions set out in sections __________. The applicant shall pay directly to such multi-state licensing system any additional fee relating to participation in such multi-state licensing system. The Commissioner shall ensure that the multi-state licensing system adopts appropriate privacy, data security and security breach notification policies. [Upon written request, the Commissioner shall make available within xx days, a copy of the contract between the division and the multi-state licensing system that satisfies this section.]

Section 4: Issuance of license by Commissioner; notice of license denial; appeal[8]

Upon the filing of an application for a license, if the Commissioner finds that the financial responsibility, character, reputation, integrity and general fitness of the applicant, and of the partners or members thereof if the applicant is a partnership or association, and of the officers, directors and principal employees if the applicant is a corporation, are such as to warrant belief that the business will be operated honestly, fairly, soundly and efficiently in the public interest consistent with the purposes of this chapter, he shall thereupon issue the applicant a license to engage in the business of a shared equity provider.

If the Commissioner shall not so find, he shall not issue a license and he shall notify the applicant of the denial. Within [xx] days thereafter, he shall enter upon his records a written decision and findings containing the reasons supporting the denial and shall forthwith give written notice thereof by registered mail to the applicant. Within [xx] days after the date of such notice, the applicant may appeal from such denial to the _____________. The court shall hear all pertinent evidence and determine the facts and upon the facts as so determined, review said denial and, as justice and equity may require, affirm the same or order the Commissioner to issue such license.

The Commissioner shall approve or deny every application for a license within [xxx] days after the

[8] This section has been drafted to provide the regulator with both broad authority to approve or deny an application for licensure and to ensure due process protections for those persons denied licensure. Time frames and procedures to be adapted to applicable requirements.

filing thereof, but any failure of the Commissioner to act within such period shall not be deemed to be an approval of any such application.

Section 5: Information on license; changes; notice requirements[9]

Each license shall state the address at which the business is to be conducted and shall state the name of the licensee. Business shall at all times be conducted in the name of the licensee as it appears on the license. A copy of such license or license number shall be posted on the licensee's website.

Such license shall not be transferable or assignable and shall expire annually on a date determined by the Commissioner.

Any change of location or closing of a place of business of the licensee, either at the address stated on the license or at a place other than said address stated on the license, shall require prior written notice thereof to the Commissioner. Such notice shall be in writing setting forth the reason therefor and shall be filed with the Commissioner at least [xx] days prior to any such relocation or closing.

If there shall be any change among the Control Persons of any licensee, the licensee shall notify the Commissioner in a timely manner of the name, address and occupation of each new member, officer, partner or director, and provide such other information as the Commissioner may require.

Section 6: License suspension or revocation; notice and hearing

The Commissioner may suspend or revoke any license issued pursuant to this chapter if said Commissioner finds that:[10]

(i) the licensee has violated any provision of this chapter or any rule or regulation adopted hereunder, or any other law applicable to the conduct of its business; or

(ii) any fact or condition exists which, if it had existed at the time of the original application for such license, would have warranted the Commissioner in refusing to issue such license.

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[9] The purpose of this section is to incorporate each state's applicable requirements as it relates to: (i) requirements specific to the content of an issued license; (ii) the use and presentation of certain licensee information (e.g., license number, address, phone number, etc.). when dealing with the public; and (iii) providing advance notification to the regulator of certain material changes with respect to the licensee.

[10] The circumstances for revocation set forth in proviso (i) and (ii) are to be modified to align with existing criteria pursuant to which the regulator may revoke a license.

Except as provided in section seven, no license shall be revoked or suspended except after notice and a hearing thereon pursuant to chapter ____________. A licensee may surrender a license by delivering to the Commissioner written notice that it thereby surrenders such license, but such surrender shall not affect the civil or criminal liability of the licensee for acts committed before such surrender.

No revocation, suspension or surrender of any license shall impair or affect the obligation of any pre-existing lawful contract between the licensee and any person.

Section 7: Commissioner's order to cease and desist from unlawful act or practice; prior notice and opportunity for hearing; temporary order

(a) If the Commissioner determines, after giving notice of and opportunity for a hearing, that a licensee has engaged in or is about to engage in an act or practice constituting a violation of a provision of this chapter or a rule, regulation or order hereunder, he may order such licensee to cease and desist from such unlawful act or practice and take such affirmative action as in his judgment will effect the purposes of this chapter.

(b) If the Commissioner makes written findings of fact that the public interest will be irreparably harmed by delay in issuing an order under subsection (a) he may issue a temporary cease and desist order. Upon the entry of a temporary cease and desist order, the Commissioner shall promptly notify, in writing, the licensee affected thereby that such order has been so entered, the reasons therefor, and that within [xx] days after the receipt of a written request from such licensee, the matter will be scheduled for hearing to determine whether or not such temporary order shall become permanent and final. If no such hearing is requested and none is ordered by the Commissioner, the order shall remain in effect until it is modified or vacated by the Commissioner. If a hearing is requested or ordered, the Commissioner, after giving notice of and opportunity for a hearing to the licensee subject to said order, shall, by written finding of facts and conclusions of law, vacate, modify or make permanent the order.

(c) No order under this section, except an order issued pursuant to subsection (b), may be entered without prior notice of and opportunity for a hearing. The Commissioner may vacate or modify an order under this section upon finding that the conditions which required such an order have changed and that it is in the public interest to so vacate or modify.

Any order issued pursuant to this section shall be subject to review as provided in [____________].[11]

[11] Reference to applicable state notice and due process requirements.

Section 8: Annual report; examination of business records

(a) Annual Report. Each licensee shall annually, on or before a date determined by the Commissioner, file a report with the Commissioner containing such information as said Commissioner may require concerning the business and operations conducted by the licensee in the [state/commonwealth] during the preceding calendar year.

(b) Recordkeeping. A licensee shall keep and use such business records in such form and at such location as said Commissioner shall, by regulation, determine, which shall enable said Commissioner to determine whether such licensee is complying with the provisions of this chapter and any rules or regulations promulgated hereunder by said Commissioner and any other law, rule or regulation applicable to the conduct of the business for which it is licensed under this chapter. Nothing in this section shall be construed to permit any such licensee to destroy original records or documents. Each such licensee shall preserve all such business records for a minimum of [three (3) years[12]], or such longer period as the Commissioner may prescribe by regulation.

Notwithstanding the provisions of any general or special law or the ________ Rules of Civil Procedure to the contrary, service of a subpoena for business records upon a licensee, delivered to an office of such licensee located within the [state/commonwealth] shall be deemed to have been served at the location, whether within or outside the [state/commonwealth], where the original business records or documents are kept or maintained.

(c) Examinations. The Commissioner shall inspect a licensee's relevant records and evidence of compliance with the provisions of this chapter or any rule or regulation issued hereunder and with any other law, rule or regulation applicable to the conduct of the business for which it is licensed under this chapter. For the purposes of such inspection, the Commissioner or a representative of the Commissioner shall have access to the offices and place of business, books, accounts, papers, records and files of all such licensees. The Commissioner, and any person designated by him, may require the attendance and testimony of any person whom the Commissioner deems necessary relative to the conduct and operation of such business. The total cost for any such inspection, which shall be paid by the licensee within [xx] days after the receipt of an invoice therefore, shall be in accordance with fees determined annually by ________________________, including expenses for necessary travel outside the [state/commonwealth] for the purposes of conducting such inspections.

During the course of such inspection, a shared equity provider that has entered into 50 or more shared equity agreements in the last calendar year shall be examined for its compliance with applicable anti-discrimination laws and laws prohibiting unfair, deceptive, or abusive acts or practices in consumer financial products or services. Such examination shall also include an evaluation of such shared equity provider's: (a) origination of shared equity agreements and consistency with safe and sound business practices; (b) efforts working with homeowners to resolve performance defaults; and (c) disclosure and

[12] To be conformed to applicable state recordkeeping requirements.

education of homeowners about the terms of shared equity agreement products. The Commissioner may make rules prescribing additional factors for measuring a licensee's performance.

Upon the completion of such examination, the Commissioner shall prepare a written evaluation of such shared equity provider's record of performance, which shall be open to public inspection upon request, and said written evaluation shall include: (a) the assessment factors utilized to determine the shared equity provider's descriptive rating; (b) the Commissioner's conclusions with respect to each such assessment factor; (c) a discussion of the facts supporting such conclusions; and (d) the shared equity provider's descriptive rating and the basis therefor.

Based upon such examination, the shared equity provider shall be assigned 1 of the following descriptive ratings[13]: (a) [outstanding] record of performance; (b) [high satisfactory] record of performance; (c) [satisfactory] record of performance; (d) [needs to improve record of performance]; or (e) [substantial noncompliance].

In considering an application from a licensed shared equity provider for a renewal of a license issued pursuant to this chapter, the Commissioner shall consider, but not be limited to, the record of performance of any such shared equity provider in accordance with this section.

Said record of performance may provide the basis for the denial of any such renewal application.

The Commissioner shall adopt regulations implementing the requirements of this section.

The Commissioner shall preserve a full record of each such examination of a licensee, including a statement of its condition. All records of investigation and reports of examination by the Commissioner, including work papers, information derived from such reports or in response to such reports, and any copies thereof in the possession of any licensee under the supervision of the Commissioner, shall be confidential and privileged communications, [shall not be subject to subpoena and shall not be a public record under _______________].[14]

For the purpose of this paragraph, records of investigation and reports of examinations shall include records of investigation and reports of examinations conducted by any financial institution regulatory agency of the federal government and any other state, and of any foreign government which are considered confidential by such agency or foreign government and which are in possession of the Commissioner. In any proceeding before a court, the court may issue a protective order to seal the record protecting the confidentiality of any such record, other than any such record on file with the court or filed in connection with the court proceeding, and the court may exclude the public from any portion of a proceeding at which any such record may be disclosed. Copies of such reports of

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[13] This section is a placeholder for the issuance of examination ratings and can be readily revised to accommodate all ratings, including the commonly used 1 (best) to 5 (lowest) exam ratings utilized by many regulators.

[14] The bracketed language is intended to capture whether supervisory information is to be kept confidential, which is typically the case.

examination shall be furnished to a licensee for its use only and shall not be exhibited to any other person, organization or agency without prior written approval by the Commissioner. The Commissioner may, in his discretion, furnish to regulatory agencies of the federal government, of other states, or of foreign countries and any law enforcement agency, such information, reports, inspections and statements relating to the licensees under his supervision.

Section 9: Shared equity provider obligations

(a) Recission period[15]. A shared equity provider shall provide at least three business days in which the homeowner may rescind their acceptance of the shared equity agreement before such shared equity agreement becomes effective and binding for the homeowner. The homeowner shall submit the rescission notice in writing to the shared equity provider within such designated rescission period.

(b) Minimum Equity. Except in connection with a home purchase transaction, the homeowner's starting home equity must be equal to or greater than [xx percent]. For purposes of this provision, if any portion of the transaction amount will be used to pay down existing obligations secured by the residential property, the homeowner's starting home equity will be calculated after application of the transaction amount to pay down such obligations.

(c) Property Valuations. All appraisals or other valuation reports used to determine the starting home value must meet industry standards and be conducted by an independent third party, unless an affiliated appraisal or valuation is disclosed and consented to in writing by the homeowner. Copies of all valuation reports must be provided to the homeowner.

(d) Annualized Cost. The annualized cost of a shared equity agreement may not exceed [xx percent].

[(e) Counseling.[16] Prior to consummation of the shared equity agreement, homeowners ages sixty-two

[15] The industry is being intentional in not incorporating by reference sections of federal mortgage regulatory law (here being TILA) because of certain incompatibilities. Rather, we seek to preserve the importance of providing consumers with a post-consummation recission right stating the specific requirements thereof without creating confusion with any cross-references to the right of recission under TILA.

[16] Mandatory counseling is a practice supported by the industry for "at risk" homeowners (i.e., based on age or lower credit scores). For homeowners deemed not to be higher risk, we recommend making counseling available to all homeowners on a voluntary basis.

Counseling for shared equity agreement products is in its early stages as the industry (and not HUD) has had to take the lead in building out a counseling solution with HUD-approved independent counselors. The available counseling follows the general approach applicable to HUD HECM (reverse mortgage) counseling, but unique to shared equity agreement products.

Another notable consideration is that there currently exist no third-party providers which provide shared equity agreement training to HUD-approved counselors. The industry believes that imposing additional independent training requirements beyond that currently required for HUD approval is not currently feasible. In time and working with regulators, we believe that the

(62) and older [and those with credit scores below xxx] shall be required to complete independent shared equity agreement counseling in such manner as to be determined by the Commissioner provided that any such any regulation and/or guidance from the Commissioner shall, at a minimum include:

i. Counselor qualifications;
ii. Content of the counseling session;
iii. Manner in which counseling is to be provided; and
iv. Documentation and recordkeeping.

The counseling requirements set forth in Section 9(e) shall become effective [180 days] after the effective date of this Act.

Section 10: Disclosure requirements[17]

(a) Prior to entering into a shared equity agreement, a shared equity provider shall provide a disclosure to the homeowner in a form prescribed by the Commissioner. The disclosure shall contain at least the following information:

(i) A lien will be placed on the property and that failure to comply with the terms of the shared equity agreement or an inability to settle the shared equity agreement may result in the homeowner losing their property, and (2) that the homeowner should consider obtaining the advice of an attorney before proceeding with the transaction.

(ii) An explanation of the material terms and estimated cost of the shared equity agreement including:

(A) The starting home value and the method by which it was determined;

(B) The transaction amount, an itemization of any charges and payments to third parties and any fees paid to the shared equity provider which are deducted from the transaction amount, and the net proceeds to be delivered to the homeowner after the expiration of the recission period;

Coalition for Home Equity Partnership, like the National Reverse Mortgage Lenders Association, could deliver "accredited" training as determined by the regulator.

[17] The industry has developed a model disclosure that meets and exceeds the requirements set forth in Section 10. The use of model disclosures varies amongst the states, and the industry would expect to engage with individual regulators with respect to the requirements and drafting of "safe harbor" disclosure form. By codifying the individual data elements contained in that disclosure and providing the regulator with broad authority to expound upon the contents and design of the required disclosures, Section 10 sets forth only the minimum requirements for an acceptable disclosure.

(C) The maximum term of the shared equity agreement;

(D) When and how the homeowner can settle, or is required to settle, the shared equity agreement;

(E) An explanation of how the settlement payment will be calculated, including, as applicable:

- The percentage of the home's future value or change in value that the shared equity provider will receive at settlement, and the method by which this is determined, and if this percentage can change over the life of the shared equity agreement, details on any such changes.
- If the starting home value is adjusted for any discounts or risk adjustments for purposes of the shared equity agreement, the amount of such adjustments and the value of the property used for purposes of calculating the change in value of the property and the settlement payment.
- The method of determining the ending home value.
- If the ending home value can be subject to any adjustments, a description of the purpose and mechanics of such adjustments.
- Any cost caps that will apply to the settlement payment and the method by which they are applied.

(F) A summary of the types of fees that may be charged in connection with settling the shared equity agreement.

(G) Any other amounts charged in connection with the shared equity agreement.

(H)Settlement examples for the shared equity agreement for no less than the following periods (as applicable):

(1) The maximum term
(2) Three years
(3) Five years
(4) Ten years
(5) Fifteen years
(6) Thirty years

For each settlement time period above, examples shall be provided based on no less than the following assumptions for change in home value:

(1) Annual depreciation of two percent
(2) No change in value
(3) Annual appreciation of two percent
(4) Annual appreciation of four percent
(5) Annual appreciation of six percent

For each combination of settlement time period and property change in value specified above, the homeowner shall be provided with:

(1) The projected ending home value
(2) The estimated settlement payment
(3) The estimated annualized cost
(4) An indication as to whether the settlement payment was subject to any cost cap

(b) Shared equity providers may provide homeowners with additional disclosures provided that the form disclosure prescribed by the Commissioner is used and there is no inconsistency between such disclosures.

(c) The shared equity provider shall be deemed to have satisfied the requirements of Section 10(a) by providing the required information set forth in Section 10, which may include the use of clear and accurate definitions and terminology consistent with those specific to each shared equity provider so long as such use does not change the meaning or effectiveness of the required disclosure, and by including a statement that the terms therein are not subject to change, at least three (3) business days before the settlement time agreed to by both parties.

Section 11: Prohibited acts

A shared equity provider is prohibited from engaging in any of the following:

(a) Charging any penalty for settling a shared equity agreement before the end of the shared equity agreement's specified term;

(b) Preventing the homeowner from renting or using the property as the homeowner chooses, provided that such use complies with applicable law. Nothing in this subsection prohibits a shared equity agreement from:

(1) Requiring that the homeowner notify the shared equity provider of a change in property use;

(2) Requiring the homeowner to obtain commercially appropriate property insurance in connection with any use of the property; or

(3) Imposing risk-based pricing adjustments on properties that are not the homeowner's primary residence; [18]

[18] The industry seeks not to place restrictions on the lawful use of the homeowner's property and understands that a homeowner may enter into a shared equity agreement on an owner-occupied residence and then during the term of the agreement move to another primary residence and rent the subject property. However, as with mortgage lending, the risks associated with a non-

(c) Requiring the use of an appraisal or valuation report prepared or managed by an appraiser, appraisal management company, or other valuation service provider affiliated with the shared equity provider except the homeowner and shared equity provider may agree to the use of an affiliated appraiser or appraisal management company to the extent that such affiliation is disclosed and consented to in writing by the homeowner;

(d) Agreeing to a property valuation that differs from the value obtained by the appraisal or other third-party means unless:

(1) At least one third-party valuation report is obtained and shared with the homeowner to provide an indication of market value; and

(2) The value that differs from the appraisal or third-party valuation report is fully disclosed to the homeowner and the homeowner agrees to the alternative value in writing;

(e) Including provisions in the shared equity agreement that prohibit the homeowner from refinancing a mortgage or lien on a property that is the homeowner's primary residence, provided that:

(i) Nothing in this subsection obligates a shared equity provider or shared equity agreement holder to subordinate their lien to any other lien holder; and

(ii) If the homeowner is seeking cash out financing or refinancing, the shared equity agreement may require that the proceeds of such financing or refinancing be used to settle the shared equity agreement; and

(f) Charging an amount to settle a shared equity agreement that exceeds the amount permitted under Section 9(d) of this chapter, plus reimbursement for any payments made by the shared equity provider on behalf of the homeowner or administrative fees charged to the homeowner during the term of the shared equity agreement.

Section 12: Civil actions filed by Commissioner

The Commissioner may enforce the provisions of this chapter, or restrain any violations thereof, by filing a civil action in any court of competent jurisdiction.

owner-occupied property are greater to the investor. As such, mortgage lenders charge homeowners a premium to finance non-owner-occupied properties. The industry seeks to preserve the same pricing flexibility afforded to mortgage lenders.

Section 13: Penalties[19]

Whoever violates section 2 of this chapter or any rule or regulation promulgated thereunder shall be punished by [insert language that mirrors penalties available under the applicable mortgage lending act]. Each day such violation occurs or continues shall be deemed a separate offense. The penalty provision of this section shall be in addition to, and not in lieu of, any other law applicable to a licensee or other person for violating section 2 or any rule or regulation made thereunder.

Section 14: Penalties; no limitation on civil action; review

(a) Whenever the Commissioner finds that any licensee or exempt person under section 2 has violated this chapter or any rule or regulation adopted thereunder, or any other law of the [state/commonwealth] applicable to the conduct of the business of making shared equity agreements on residential property in the [state/commonwealth], the Commissioner may, by order, in addition to any other action authorized under this chapter or any rule or regulation made thereunder, impose a penalty upon the person which shall not exceed [$x,000] for each violation, up to a maximum of $xxx,000 for such violation plus the costs of investigation. The Commissioner may impose a penalty which shall not exceed [$x,000] for each violation of this chapter, or any rule or regulation adopted thereunder, by a person other than a licensee or exempt person under section 2, plus the costs of investigation.

(b) Any findings or order issued by the Commissioner pursuant to this section shall be subject to review as provided in __________.[20]

Section 15: Written notice of intention to prohibit; statement of facts; order of prohibition; service[21]

(a) Whenever the Commissioner determines that any person has, directly or indirectly, violated any section of this chapter or any rule or regulation adopted thereunder, applicable to the conduct of the business of making shared equity agreements in the [state/commonwealth], or any order issued by the Commissioner under this chapter or any written agreement entered between the licensee and the Commissioner, the Commissioner may serve upon that person a written notice of intention:

(1) to prohibit the person from performing in the capacity of a principal employee on behalf of any licensee for a period of time that the Commissioner considers necessary to cure the condition giving

[19] This section of the model act is a placeholder to include the full scope of civil and criminal penalties, if any, available to the Commissioner under applicable state law.
[20] To be conformed accordingly to applicable state law related to judicial review of regulatory determinations.
[21] This section of the model act is a placeholder for purposes of incorporating applicable due process standards with respect to determinations by the regulator that there has been a violation of the act.

rise to the Commissioner's action;

(2) to prohibit the person from applying for or obtaining a license from the Commissioner for a period up to [xx] months following the effective date of an order issued under subsection (b) or (c); or

(3) to prohibit the person from any further participation, in any manner, in the conduct of the affairs of a shared equity provider in [state/commonwealth] or to prohibit the person from being employed by, an agent of, or operating on behalf of a licensee under this chapter or any other business which requires a license from the Commissioner.

(b) A written notice issued under subsection (a) shall contain a written statement of the facts that support the prohibition and shall give notice of an opportunity for a hearing to be held thereon. The hearing shall be fixed for a date not more than [xx] days after the date of service upon the Commissioner of the request for a hearing. If the person fails to submit a request for a hearing within [xx] days of service of notice under subsection (a), or otherwise fails to appear in person or by a duly authorized representative, the party shall be considered to have consented to the issuance of an order of prohibition in accordance with the notice.

(c) In the event of the consent under subsection (b), or if after a hearing the Commissioner finds that any of the grounds specified in the notice have been established, the Commissioner may issue an order of prohibition in accordance with subsection (a) as the Commissioner finds appropriate.

(d) An order issued under subsection (b) or (c) shall be effective upon service to the person. The Commissioner shall also serve a copy of the order upon the licensee of which the person is an employee or on whose behalf the person is performing. The order shall remain in effect and enforceable until it is modified, terminated, suspended, or set aside by the Commissioner or a court of competent jurisdiction.

(e) Except as consented to in writing by the Commissioner, any person who, pursuant to an order issued under subsection (b) or (c), has been prohibited from participating in whole or in part in the conduct of the affairs of a shared equity provider in [state/commonwealth] may not, while the order is in effect, continue or commence to perform in the capacity of a principal employee, or otherwise participate in any manner, if so prohibited by order of the Commissioner, in the conduct of the affairs of:

(1) any licensee under this chapter;

(2) any other business which requires a license from the Commissioner; or

(3) any bank, as defined under ____________ or any subsidiary thereof.

Section 16: Rulemaking

The Commissioner may adopt, amend or repeal rules and regulations to prescribe safe and sound operating standards for licensees, the forms and process used for the license application process, and consumer protections, and to aid in the administration and enforcement of this chapter.[22]

[22] To be conformed accordingly should the regulator's authority to propose regulations be limited.

How Shared Equity Products Work, Who Is Using Them, and Regulatory Recommendations

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URBAN INSTITUTE

RESEARCH REPORT

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How Shared Equity Products Work, Who Is Using Them, and Regulatory Recommendations

Shared equity products (SEPs)—often referred to as home equity sharing agreements, home equity agreements, or home equity investments—have significantly increased in volume over the past several years. A homeowner using these products receives an up-front cash payment in exchange for giving an investor (or originator) a share in their property's future value. The homeowner continues to live in their home and pays all expenses necessary to maintain the property. The investor receives a share of the property value when the home is sold. The homeowner can also settle the agreement without selling their home by repurchasing the investor's share. The homeowner does not make interest payments or other interim payments to the investor.

This report examines the role SEPs play in the broader home equity extraction market, the characteristics of homeowners who use them, the mechanics that determine homeowner costs and investor returns, the industry structure, and the unique regulatory requirements for this product.

SEPs are relatively new. The three largest SEP providers (i.e., Point, Hometap, and Unlock) have formed a trade association, the Coalition for Home Equity Partnership (CHEP), and these founding members gave us data on the approximately 54,000 agreements they originated between 2015 and 2025.[1]

Using the unique dataset from the CHEP, we start by looking at the recent rapid increase in SEP use. We next document why homeowners use SEPs and how these products fit alongside mortgage loan–based equity extraction options, particularly for borrowers who face credit constraints or who wish to avoid additional monthly payments. We then examine the demographic, financial, and geographic characteristics of homeowners using SEPs and show that, in many respects, they closely resemble homeowners using traditional equity-extraction products.

Next, we provide a detailed examination of SEP contract mechanics, illustrating how investor returns and homeowner costs depend jointly on holding period and home price changes. Understanding these mechanics is essential for evaluating consumer protections and for assessing why SEPs cannot be cleanly regulated under existing mortgage loan frameworks.

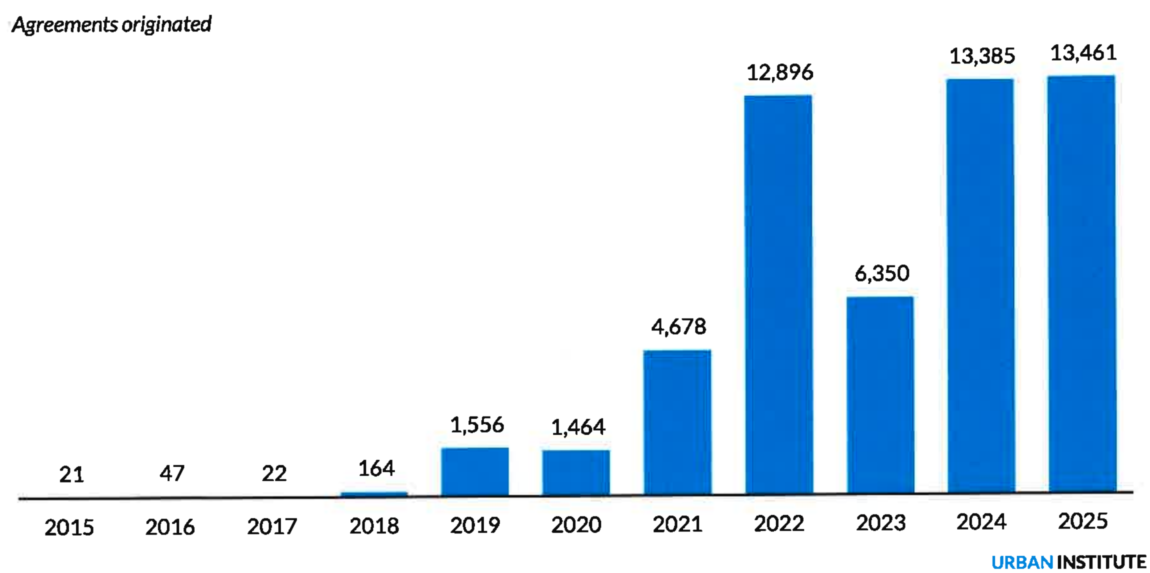
Finally, we discuss the evolving regulatory treatment of SEPs and the implications of regulatory uncertainty for capital markets. Because this new product type is not a traditional credit product and is instead a type of equity investment, the absence of a tailored regulatory framework creates uncertainty. A clearer, standardized regulatory framework designed to fit the unique structure of SEPs would improve consumer protections while lowering the cost of capital and, ultimately, the cost of these products to homeowners. We conclude by offering thoughts on the regulatory framework, including recommendations that should be taken now while the product is still in early stages of maturity.

History of Shared Equity Products

Unison originated the first SEP in late 2006, but volume was relatively limited until recently, as it took time and operating capital for originators to build the infrastructure needed to source both homeowners and investors at scale. There are currently about a dozen firms providing SEPs; the largest are Point, Hometap, Unlock, Unison, and Splitero.

FIGURE 1

Origination Volume from the Three Largest SEP Originators



Sources: Data shared from three SEP providers and Urban Institute calculations.
Notes: SEP = shared equity product. 2025 shows SEP volume only for the first half of the year.

Although SEP production is still relatively small, origination volume among the three largest SEP originators increased almost 900 percent from 2018 to 2020 from under 200 agreements to more than

1,400, then by almost 900 percent again to more than 12,000 agreements in 2022 (figure 1). Volume in 2023 declined about 50 percent versus 2022, reflecting significant turmoil in the capital markets attributable to high inflation and the Federal Reserve's subsequent rapid interest rate hikes. Volume recovered in 2024, and in the first half of 2025, volume was nearly equal to volume in all of 2024. The swift growth of these products and the unique role they can play in equity extraction for homeowners who cannot or do not want to use mortgage loan products highlights the need for standardized regulation of SEPs that fits SEPs' unique features.

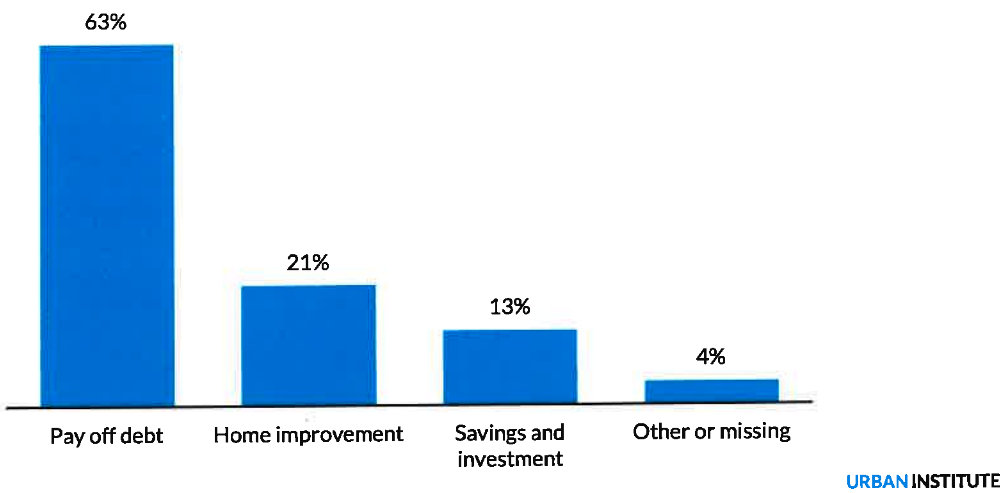
There has been little research on SEPs. Washington state commissioned a study from the University of Washington to understand SEPs' effects on vulnerable populations (Amorim et al. 2025). The researchers found no evidence that SEP originators had targeted vulnerable populations or that SEPs adversely affected underserved communities. But they did find evidence within Washington state that homeowners who use SEPs would benefit from robust consumer protections through enhanced regulation. The three originators who gave us data have always used voluntary homeowner protection caps, but about 20 percent of the SEPs that were originated in Washington state did not include caps (these uncapped SEPs were all originated by another firm that has since implemented a protection cap). Amorim and coauthors also observed, via a limited number of interviews (n = 14), that some homeowners felt trapped in their equity-sharing agreements and expressed concerns that they might be forced to sell their home at the end of the agreement to come up with the lump-sum payment and might not be able to buy another home with the remaining sale proceeds. In a spotlight issue on home equity contracts, the Consumer Financial Protection Bureau (CFPB) reported receiving consumer complaints about these products "including confusion about the financing terms, surprise at the size of the repayment amounts, disputes about appraisal values, difficulty with refinancing due to the existence of the home equity contract, and frustration that they felt their only option to get out of the contract was to sell their home."[2]

The Rationale for Shared Equity Products

Use of Shared Equity Products

The primary purpose of SEPs is to enable homeowners to access home equity they can use for paying down debt, for home improvements, or for other purposes. Sixty-three percent of homeowners who have used SEPs used the product to pay down debt, and the return to investors on SEPs (and thus the cost to the homeowner) is often significantly lower than the interest rate on credit card or personal loan debt, so using SEPs can be a beneficial economic move for many homeowners (figure 2). Another 21 percent of homeowners who use SEPs use the cash to remodel or repair their property. We cannot compare these numbers with those for mortgage loan equity-extraction products (e.g., cash-out refinances, second mortgages, home equity improvement loans, and home improvement loans), as data on how homeowners use cash from these products are not available.

FIGURE 2
Use of Proceeds Among Homeowners Using SEPs



Sources: Data shared from three SEP providers and Urban Institute calculations.
Note: SEP = shared equity product.

SEPs work well for many homeowners as an equity-extraction tool. Interestingly, out of the data we have (54,044 agreements), not a single agreement is for home purchase.[3] Although an SEP can be used for a home purchase in conjunction with a first mortgage loan, current SEP offerings do not fit the needs of most purchase borrowers, particularly first-time homebuyers. First, SEPs generally require the homeowner to have at least 10 percent of their own money tied up in the transaction. Most Federal Housing Administration, Veterans Administration, and government-sponsored enterprise programs allow for down payments significantly lower than 10 percent, and most first-time homebuyers take advantage of that feature. Second, down payment assistance in the form of an SEP is not generally available to homebuyers, as the funds from an SEP transaction are not currently eligible as an approved form of down payment for use with conventional or government loan programs. SEPs could be a good fit for homebuyers who want to make larger down payments on homes or to buy more expensive homes than what their incomes would otherwise allow. But these buyers will likely not be first-time homebuyers whose biggest challenge is generally coming up with a 10 percent down payment. Future

SEPs that could accommodate smaller down payment contributions could represent a viable case for SEPs among first-time homebuyers.

Shared Equity Products' Place Among Home Equity Extraction Tools

The option to tap your home for its embedded equity is one of homeownership's primary benefits. Homeowners who are facing financial difficulties, want to invest in education, want to start a business, or otherwise need cash can take out some of the equity they have built up while paying down their mortgage as their home appreciates in value (table 1).

TABLE 1

Types of Equity Extraction Products

	Description	Payment to homeowner	Payments by homeowner
Cash-out mortgage loan refinance	Typically first lien. The homeowner gets a new mortgage loan to pay off the old one. The new mortgage loan has a higher balance, and the difference goes to the borrower as cash.	Lump sum	This is an amortizing loan with a steadily declining unpaid principal balance. Compared with the original mortgage, the homeowner will make higher monthly mortgage payments (principal plus interest) or will make the payments for an extended term to pay off the higher principal, or both.
Home improvement mortgage loan (or renovation loan)	Typically second lien, or first lien if there are no other liens on the property. The homeowner takes out a loan on their property to extract equity.	Lump sum	This is an amortizing loan with a steadily declining unpaid principal balance. The homeowner makes monthly mortgage payments (principal plus interest) to pay off the additional loan.
Home equity line of credit	Typically second lien, or first lien if there are no other liens on the property. A type of mortgage loan whereby the homeowner accesses a credit line backed by their home equity.	Amounts can be drawn as needed over the draw period, subject to the maximum size of the line of credit.	The homeowner can choose to pay interest only or principal plus interest during the draw period, like a credit card. After the draw period, the line of credit becomes an amortizing loan or requires a lump-sum payment.
Shared equity product	Typically second lien. The homeowner promises to share a portion of their home's future value or change in value in exchange for a portion of their home's current value now as cash.	Lump sum	No interest, principal, or amortization. The homeowner pays a lump sum at the end of the agreement term, when the home is sold, or when the homeowner decides to repurchase the investment.

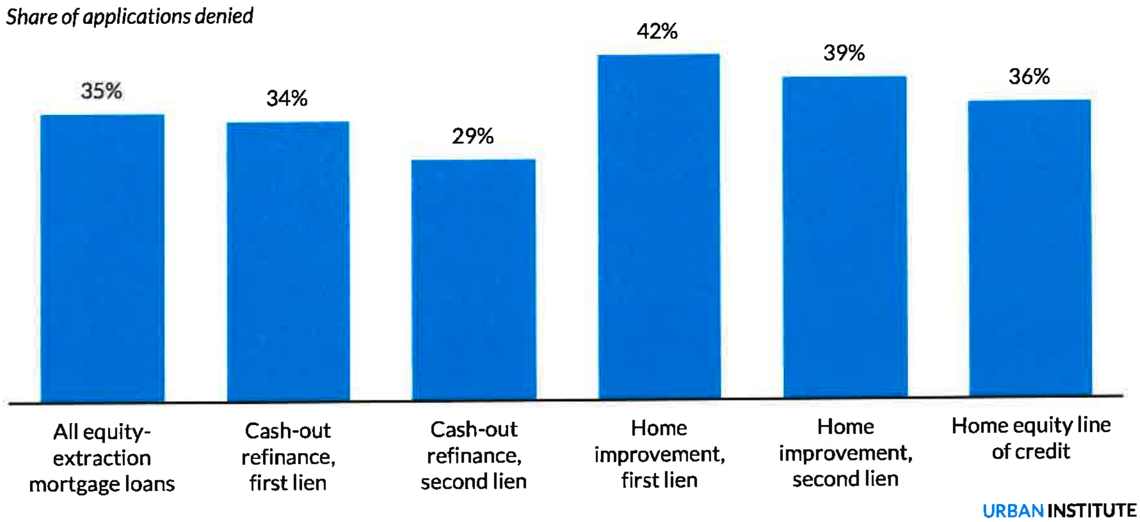
But not all homeowners can access their housing wealth, either because they do not qualify for a mortgage loan product based on their credit score or because they cannot, or would prefer not to, make an additional monthly payment. In 2024, the most recent data available indicate that 35 percent of all equity-extraction mortgage loans were denied. About 30 percent of applications for cash-out refinances, 40 percent of applications for home improvement loans, and 36 percent of applications for home equity lines of credit (i.e., open-end lines of credit) were denied (figure 3). To put these numbers into perspective, in 2024, 9.8 percent of purchase mortgage loans were denied. The most common denial reason for equity-extraction mortgage loans was low credit scores and high debt-to-income ratios, followed by home values that are too low to provide sufficient collateral for the amount being extracted (figure 4).

Homeowners who do a cash-out refinance of the first lien on their home or who take out a closed-end second mortgage loan or a home equity line of credit are increasing the principal amount they owe on their home. This results in higher monthly mortgage payments, repayment over a longer term, or both. High interest rates exacerbate this mortgage payment increase. More than 80 percent of outstanding mortgage loans have interest rates below 6 percent, and many loans have rates under 3.5 percent thanks to a period of historically low interest rates during the COVID-19 pandemic (Goodman et al. 2025). These homeowners with low rates may be unwilling to give up their low rates to do a cash-out refinance.[4]

A home equity conversion mortgage (i.e., a reverse mortgage) is the only equity-extraction mortgage loan product where homeowners do not make a monthly payment, and it is designed for homeowners ages 62 and older. Higher monthly payments on mortgage loan products can be challenging for homeowners. Many of these homeowners are extracting equity to pay off expensive debt or to fund a home repair and already have constrained liquidity. This is demonstrated by the fact that debt-to-income ratio is the most common reason for denial on mortgage loan products.

FIGURE 3

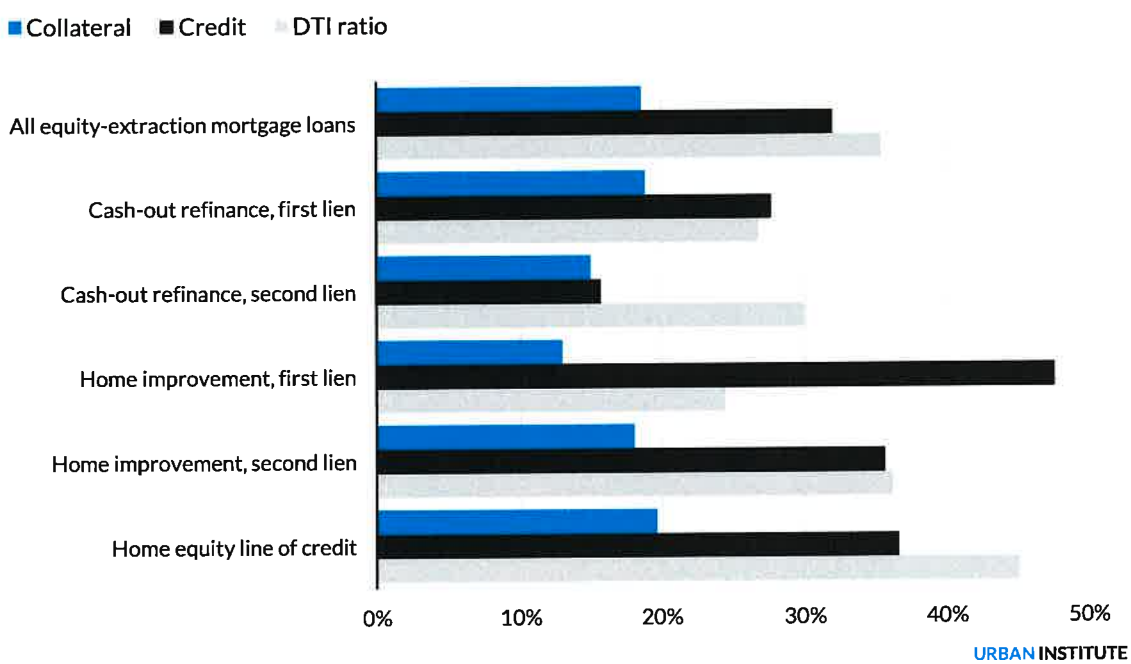
Denial Rates for Equity-Extraction Mortgage Loans, 2024



Sources: 2024 Home Mortgage Disclosure Act data and Urban Institute calculations.
Note: A home equity line of credit is an open-end line of credit.

FIGURE 4

Most Common Denial Reasons for Equity-Extraction Mortgage Loans, 2024



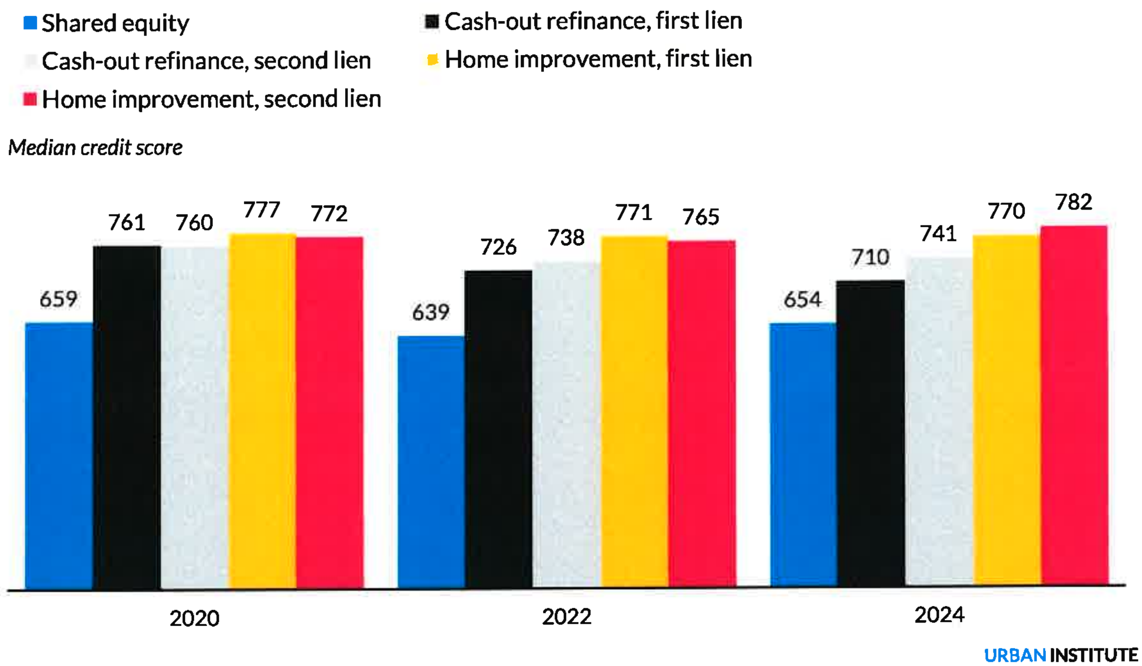
Sources: 2024 Home Mortgage Disclosure Act data and Urban Institute calculations.
Notes: DTI = debt-to-income. A home equity line of credit is an open-end line of credit.

SEPs can be useful for homeowners who cannot get a mortgage loan, or who choose not to make a monthly payment, but want to take advantage of the wealth stored in their homes. Unlike a mortgage loan where the investor relies on consistent monthly payments from the borrower to make an investment return, an SEP produces an investor return that is entirely dependent on the home's future value, as there are no interim payments and the settlement payment is dependent on the ending home value. This means that the two most common denial reasons for equity-extraction mortgage loans—the homeowner's credit score and their income relative to total debt—are largely irrelevant for SEP originators.

Credit scores are typically lower on SEPs than on equity-extraction mortgage loans. Figure 5 shows the median credit scores for SEP homeowners compared with credit scores for homeowners who take out second mortgage loans or refinance their existing mortgage loans to extract home equity. We use 2020, 2022, and 2024 to compare characteristics on Home Mortgage Disclosure Act (HMDA) loans and SEPs because 2020 is when we start getting a substantial sample size of SEPs, 2024 is the latest year for which we have HMDA data, and 2022 is the midpoint. In 2024, the median credit score for homeowners refinancing their primary mortgage loan to extract equity was 710, and the median score for homeowners who took out a second lien for a home improvement loan was 782. In contrast, the median credit score for homeowners using SEPs in 2024 was 654. Further, 26.9 percent of homeowners that obtained an SEP in 2024 had credit scores below 600 and therefore would have likely been unable to qualify for a mortgage loan.

FIGURE 5

Median Credit Scores, by Equity-Extraction Method and Origination Year



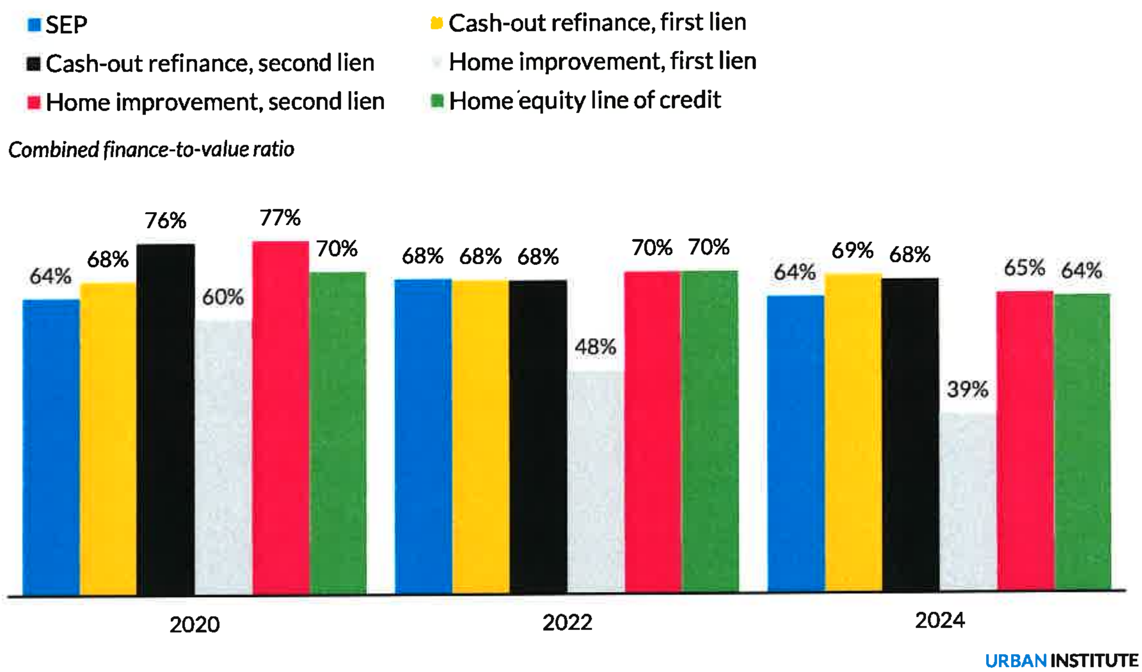
Sources: Intercontinental Exchange loan-level origination data, data shared from three SEP providers, and Urban Institute calculations.
Note: SEP = shared equity product.

About 15.2 percent of homeowners using SEPs had credit scores between 650 and 680, and 33.8 percent had credit scores above 680. These homeowners likely would have been able to get a mortgage loan but seemingly preferred the SEP because there are no interim payments.

Total home financing[5] relative to home value is comparable between homeowners using SEPs and other homeowners who extracted cash using mortgage loan products. Figure 6 shows that except for 2020, when incentives to refinance were very high because of low interest rates, total home financing relative to home values was similar for homeowners using SEPs and homeowners using mortgage loan products to extract equity. SEP originators do not rely on a homeowner's ability to pay their mortgage loan each month, but it is in the investor's best interest for the homeowner to do so. SEPs are typically in the second-lien position, and the SEP is a nonrecourse instrument, so in the event of a foreclosure, the SEP investor would not get their full return unless (1) all transaction expenses were paid in full, (2) all existing senior mortgage loan debt was paid in full, and (3) after satisfying those payment requirements, there were sufficient proceeds available to satisfy the SEP obligation.

FIGURE 6

Median Combined Home Financing to Home Value, by Equity-Extraction Method and Origination Year



Sources: 2024 Home Mortgage Disclosure Act data, data shared from three SEP providers, and Urban Institute calculations.
Notes: SEP = shared equity product. Home financing is the sum of all outstanding mortgage loan balances plus, for SEP homeowners, the amount the SEP originator invests in the home. A home equity line of credit is an open-end line of credit.

Users of Shared Equity Products

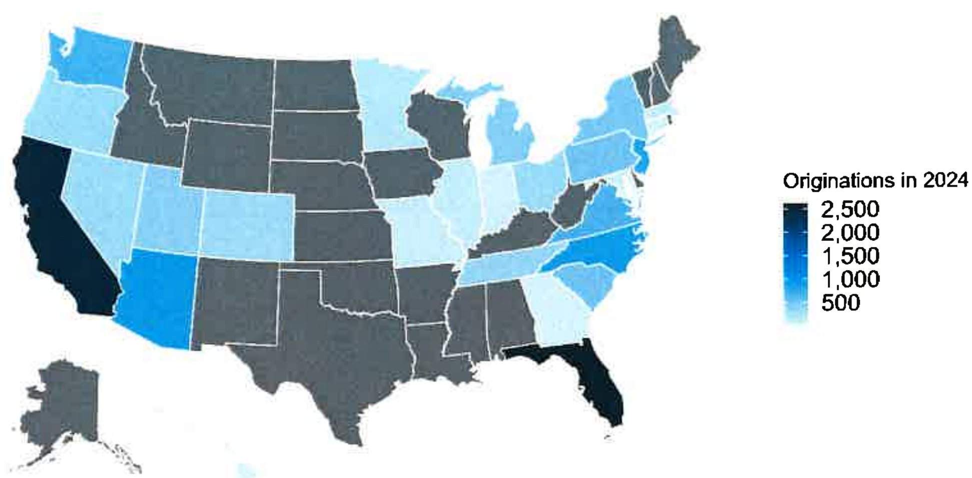
In this section, we delve more deeply into the characteristics of homeowners who use SEPs. In general, we find that the characteristics of these homeowners are very similar to those of homeowners who use mortgage loans for home equity extraction. Homeowner age and income are very similar. The home values are higher for those using SEPs, but this reflects the geographic footprint of where SEPs are offered. Once we account for that, there is no significant difference. And there is no significant difference in the use of SEPs based on recent home price appreciation in the area where the homes are located.

The Geographic Distribution of Shared Equity Products

SEP origination is not yet evenly distributed across the country, but distribution is steadily expanding (figure 7). To date, SEPs have been heavily concentrated in California, Florida, and a few other states. In 2015 and 2016, the earliest years we have data for, 100 percent of SEP originations were in California. By 2019, the California share had decreased to 45.6 percent. As the three SEP originators we have data for continued to expand into other markets, the California share of originations continued to decline to 19.3 percent by 2024. This is still higher than the 7.3 percent of equity-extraction mortgage loans nationwide that originated in California in 2024, according to HMDA data. California home values are higher than those in the rest of the country, and these differences in geographic composition contribute to the differences in median starting home values in figure 8. After controlling for geography, differences in median starting home value disappear.[6]

FIGURE 7

SEP Originations, by State, in 2024



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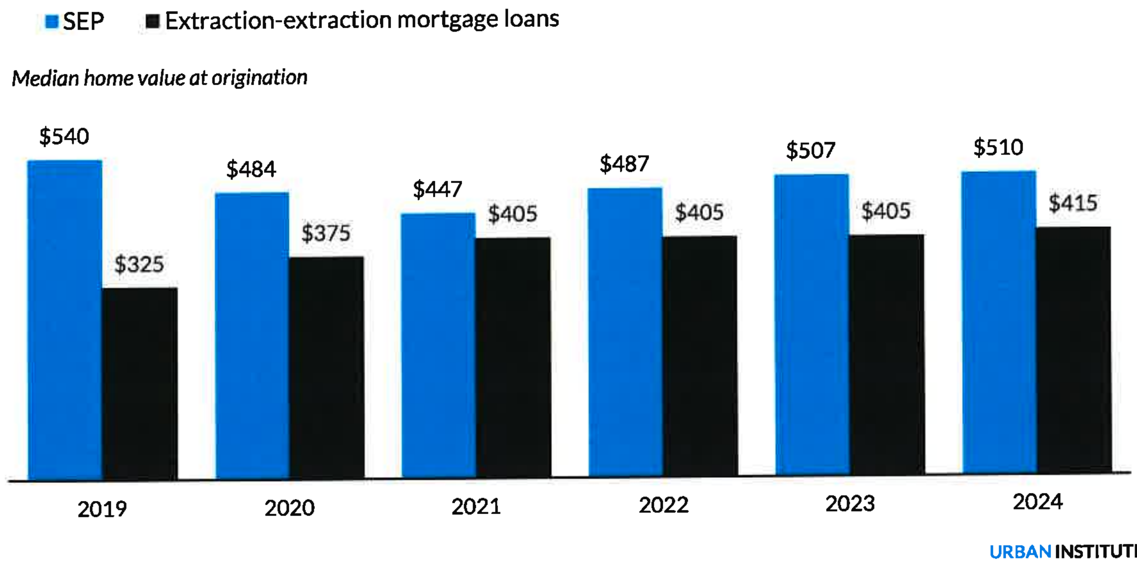
Sources: Data shared from the three largest SEP providers and Urban Institute calculations.

Notes: SEP = shared equity product. Gray indicates states where the three largest SEP providers did not originate any SEP agreements.

FIGURE 8

Median Starting Home Value, by Equity-Extraction Method and Origination Year

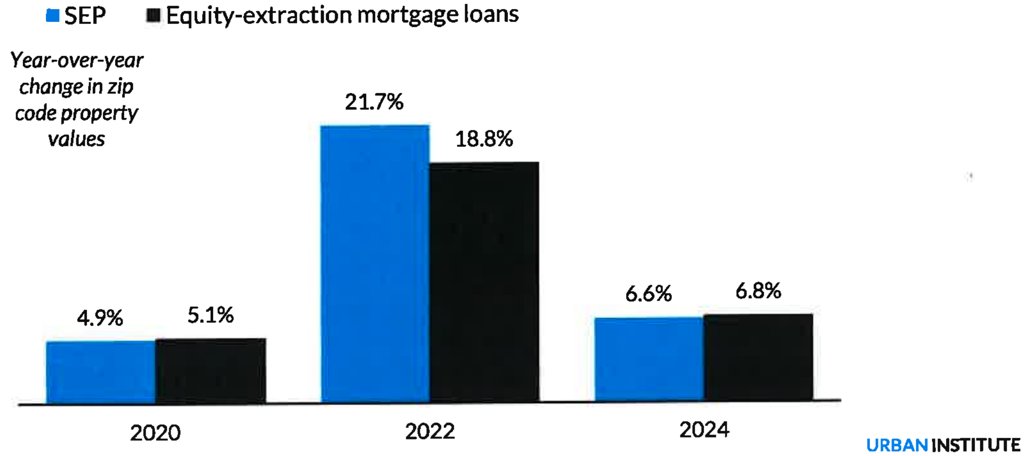


Sources: 2024 Home Mortgage Disclosure Act data, data shared from three SEP providers, and Urban Institute calculations.
Note: SEP = shared equity product.

Despite state selection creating differences in overall property values between SEPs and equity-extraction mortgage loans, properties leveraged for SEPs are similar to properties leveraged for equity-extraction mortgage loans. SEPs do not seem more likely to be used in markets with high home price appreciation. Figure 9 shows the weighted zip code–level home price appreciation for the year preceding origination for equity-extraction mortgage loans and for SEPs. The annual appreciation is similar for the zip codes where both types of products were originated. Although investor return on SEPs is dependent in part on future home price appreciation, recent appreciation does not seem to be a more significant predictor of SEP origination than equity-extraction mortgage loan origination.

FIGURE 9

Median Zip Code–Level Annual Home Price Appreciation in the Previous Year, by Origination Year and Equity-Extraction Method



Sources: 2024 Home Mortgage Disclosure Act data, data shared from three SEP providers, and Urban Institute calculations.
Notes: SEP = shared equity product. Year-over-year home price appreciation here is defined as change in median seasonally adjusted home price between January in the year before origination to January in the year of origination. Data are weighted by the number of loans or SEPs originated in each zip code.

Properties with an SEP have a similar distribution across price tiers within a zip code as compared with equity-extraction mortgage loans. Figure 10 shows the share of properties with SEPs and equity-extraction mortgage loans in the highest and lowest price quintiles of their zip code by origination year. Except for 2020, when properties using SEPs were more likely to be among the 20 percent of homes with the lowest values and less likely to be among the 20 percent with the highest values, the shares of relatively low- and high-price homes were similar between SEPs and mortgage loans.

FIGURE 10A

Share of Properties in Their Zip Code's Highest-Price Quintile, by Origination Year and Equity-Extraction Method

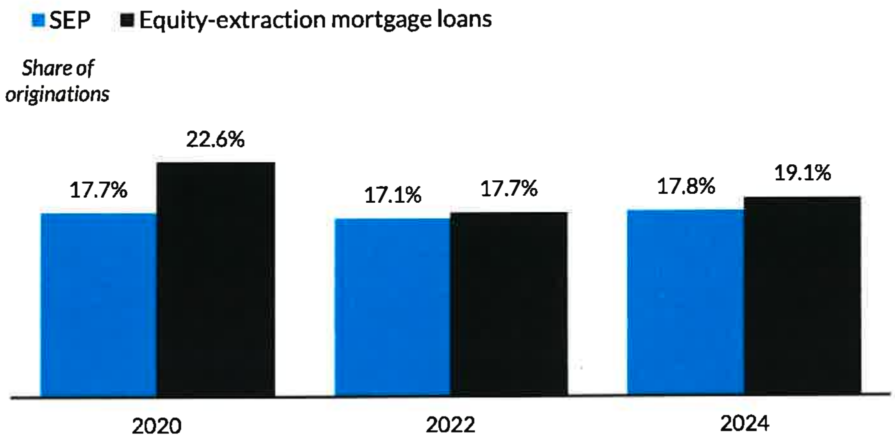
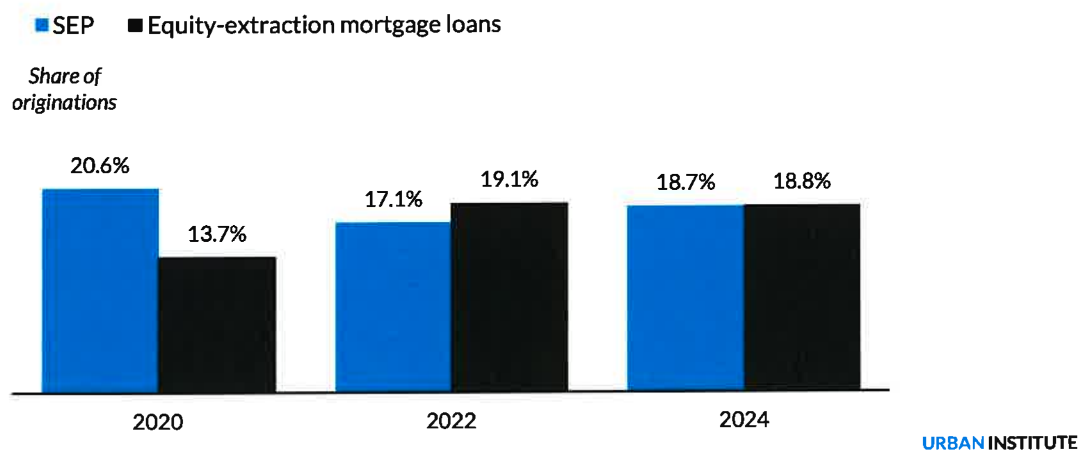


FIGURE 10B

Share of Properties in Their Zip Code's Lowest-Price Quintile, by Origination Year and Equity-Extraction Method



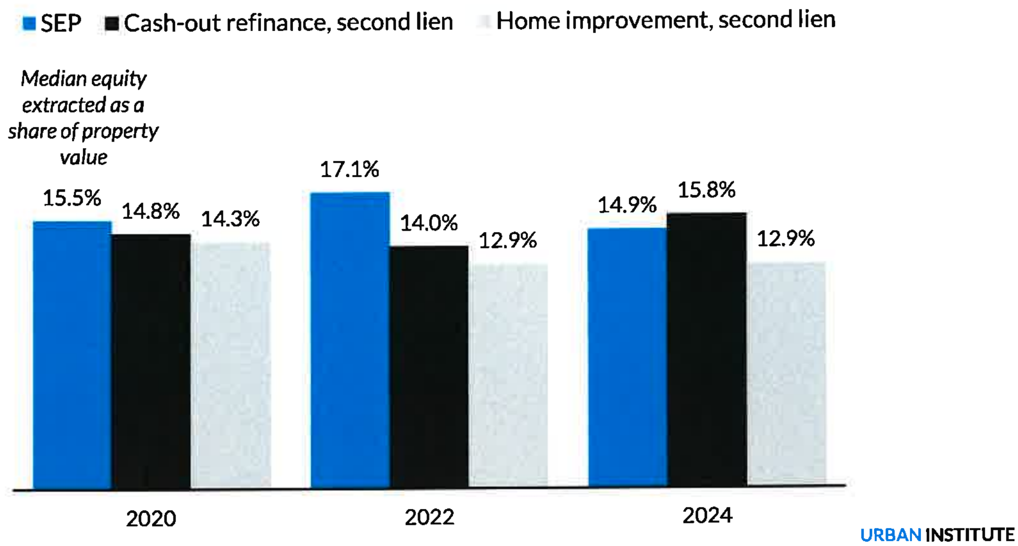
Sources: 2024 Home Mortgage Disclosure Act data, data shared from three SEP providers, and Urban Institute calculations.
Note: SEP = shared equity product.

Equity Extracted

Homeowners using SEPs also take out an amount of equity relative to their property value similar to traditional methods of home equity extraction. Because we cannot observe how much equity homeowners using first-lien cash-out refinances or open-end lines of credit are taking out at origination, we compared SEPs with second-lien home improvement loans and cash-out refinances.[7] Figure 11 shows that homeowners using SEPs generally take out around 15 percent of their home value, which is similar to the median loan amounts on second-lien cash-out refinances and somewhat higher than second-lien home improvement loans. The exception to this was in 2021 and 2022, when the median homeowner using an SEP took out about 17 percent of their property value.

FIGURE 11

Equity Extracted as a Share of Property Value for Homeowners Using SEPs and Closed-End Second-Lien Loans



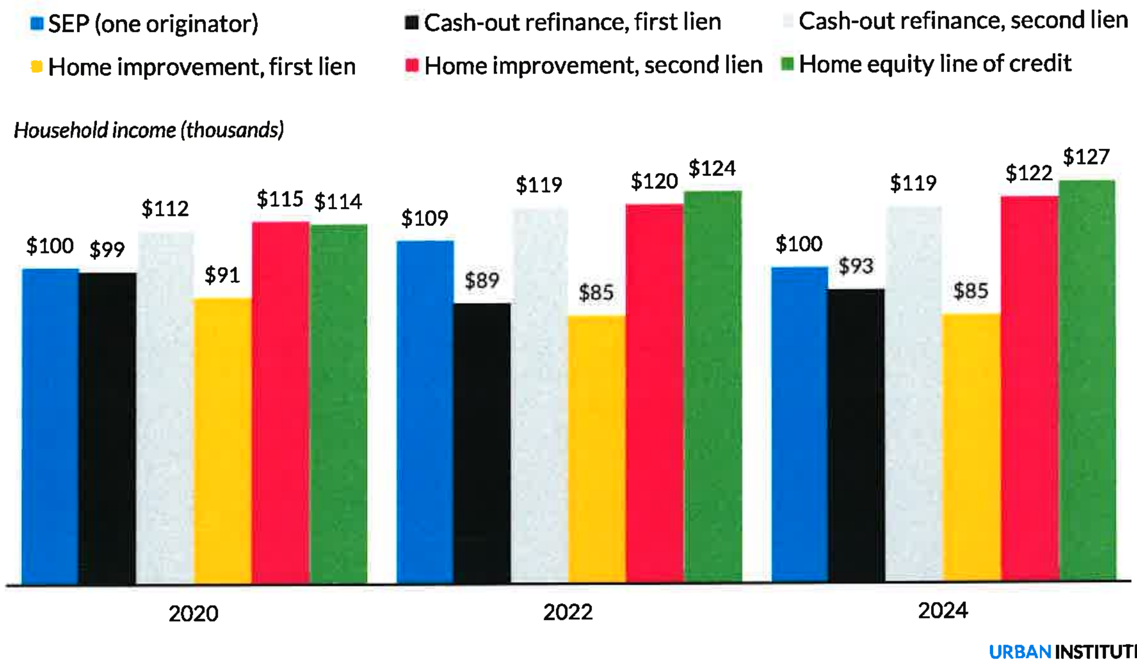
Sources: 2024 HMDA data, data shared from three SEP providers, and Urban Institute calculations.
Notes: HMDA = Home Mortgage Disclosure Act; SEP = shared equity product. Notably, SEP providers are not subject to HMDA and do not submit HMDA data to the Consumer Financial Protection Bureau.

Income

Only one of the SEP originators provided us homeowner income data. We find median incomes are similar for homeowners using SEPs and those among mortgage loans. Figure 12 shows that of the homeowners using SEPs we observed, incomes were generally higher than for borrowers of first-lien cash-out refinances and first-lien home improvement loans and lower than for borrowers who took out second-lien cash-out refinances, second-lien home improvement loans, and open-end lines of credit in the same year. Differences in income may be related to geography, such as the differences we see in home prices from SEP concentration in California.

FIGURE 12

Median Household Income, by Origination Year and Equity Extraction Method



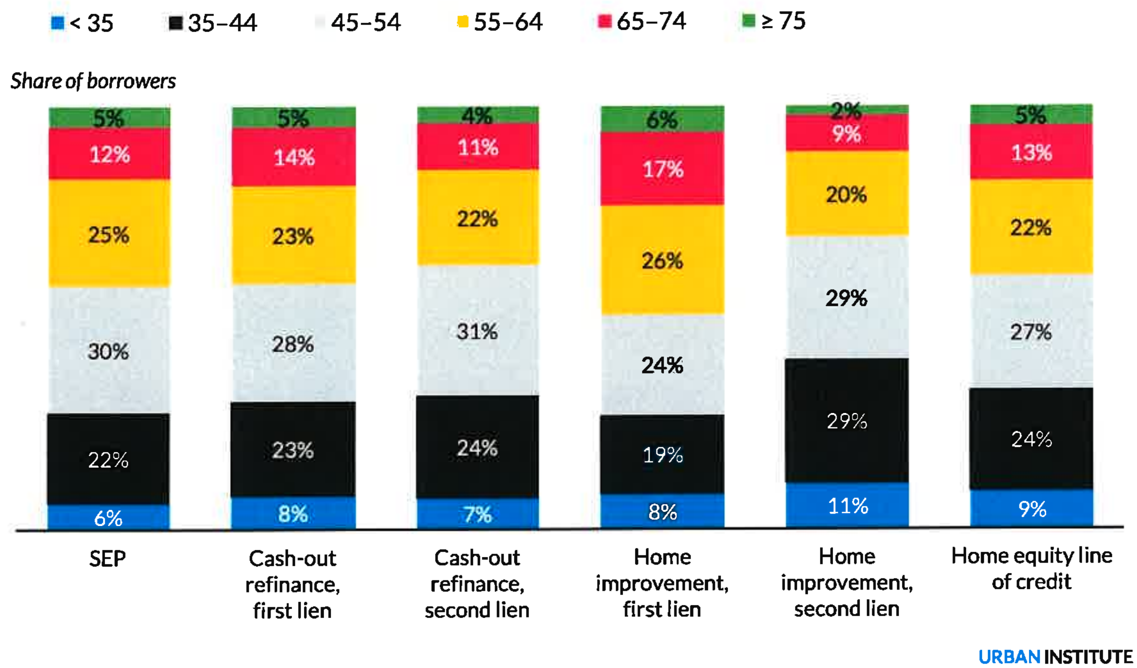
Sources: 2024 Home Mortgage Disclosure Act data, data shared from one SEP provider, and Urban Institute calculations.
Notes: SEP = shared equity product. A home equity line of credit is an open-end line of credit.

Age

The age distribution of homeowners using SEPs is similar to the distribution for most equity-extraction mortgage loan products. To the extent there is a divergence, the share of younger borrowers (i.e., borrowers younger than 35 and those ages 35 to 44) is lower.

FIGURE 13

Age Distribution of Homeowners Extracting Equity with SEPs and with Mortgage Loans, 2019–24



Sources: 2024 Home Mortgage Disclosure Act data, data shared from three SEP providers, and Urban Institute calculations.
Notes: SEP = shared equity product. A home equity line of credit is an open-end line of credit.

Mechanics of Shared Equity Products

In an SEP, a homeowner receives an up-front cash payment in exchange for giving an investor or originator a future share in their property. The homeowner continues to live in the home and pays all expenses necessary to maintain the property. Depending on the type of SEP, the investor, at settlement, receives either (1) a share of the property's value or (2) the original investment amount plus a share of the property's change in value (based on a discounted starting home value). Settlement occurs when the home is sold, when the homeowner elects to repurchase the investment, or at contract termination. The amount the investor receives (and thus the cost to the homeowner) is also subject to a cap. The contract terms range from 10 to 30 years. The homeowner does not make interest payments or other interim payments to the investor.

The contracts terminate and the homeowner owes the settlement payment at the end of the contract or owes the payment earlier because of a contractually defined "settlement event." Such events include property sale, repurchase of the SEP by the homeowner (enabling the homeowner to end the contract without selling their home), or the death of the last remaining signatory.[8] Contracts may also require settlement because of certain default events, which can vary depending on the originator but generally include failure to pay any senior mortgage loans, property taxes, or homeowner's insurance premiums; condemnation; failure to maintain the home; or bankruptcy declaration.[9] If the homeowner terminates the SEP by selling their property, they pay their SEP settlement payment with a portion of the sale proceeds. If the homeowner terminates the SEP without selling their property, the settlement payment amount will be based on an appraised value, and the homeowner will (1) settle using cash on hand, (2) settle using the proceeds from a cash-out refinance of their mortgage loan or an additional mortgage loan on the property, or (3) settle using the proceeds from a new SEP. Upon reaching maturity, homeowners will need to settle their SEP via one of these three methods or by selling their home.[10]

SEP contracts are usually structured as nonrecourse real estate option contracts or nonrecourse forward sale contracts, which give the originator the right to purchase a preset percentage interest in the future value or future change in the property value at the up-front price.

In addition to the obligation to make the settlement payment in the future, the homeowner pays typical real estate closing costs and origination fees, which typically range from 3.9 to 4.9 percent of the investment amount at closing.[11]

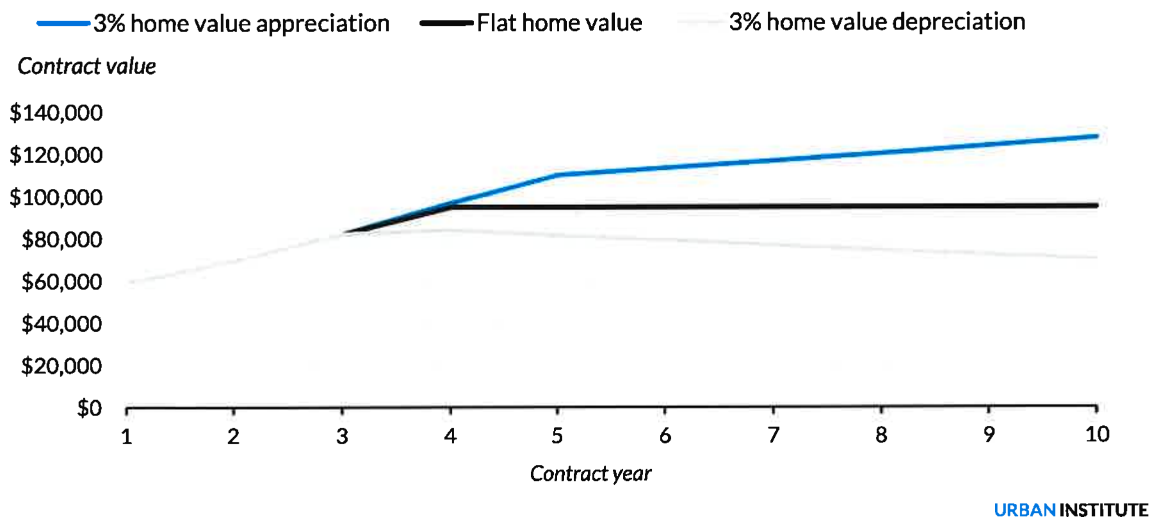
Each SEP provider structures its agreements a bit differently. In some cases, at settlement, investors receive a share of the home's value (i.e., the "total home value" model). In other cases, investors receive a share of the home's change in value (based on a discounted starting home value) plus the original investment amount (i.e., the "change in home value" model). All SEP originators have homeowner protection caps on the maximum annual return an investor can earn, often 18 to 20 percent. These caps provide an important consumer protection, especially for short holding periods or periods of exceptionally high home price appreciation.

We will now look at how Unlock, Point, and Hometap structure their products. We use these three entities as examples. All three issued securitizations in 2025, in which the mechanics are disclosed in presale reports.

Unlock

In the case of Unlock, the investor receives a share of the home value at settlement that is typically 1.7 to 2.0 times their initial investment. If we assume 1.9 times the initial investment and an investor contributes 10 percent of the home value up front, Unlock will be entitled to a payment equal to 19 percent of the home's value, which can be realized only at contract termination. But the maximum annualized return to the investor (i.e., the homeowner protection cap) is typically 18.0 to 19.9 percent per year. This protects the homeowner if home price appreciation is extraordinarily high or if they enter into a contract and then decide to sell the home soon after.

FIGURE 14
Unlock Contract Value Scenarios



Source: Urban Institute calculations from DBRS reports.

For example, assume a home valued at $500,000, with an investor providing $50,000 (10 percent of the home's starting value), Unlock's share established at 19 percent (10 percent multiplied by 1.9), a protection cap of 18 percent, and no home price appreciation during the first year. Without the homeowner protection cap, if the contract settled after one year, the investor would be entitled to $95,000 (19 percent of $500,000), representing a $45,000 investment gain, a return that most would consider unfairly high. The homeowner protection cap limits the gain to 18 percent per year (i.e., $9,000 in the first year), so instead of a settlement payment obligation of $95,000, the homeowner would pay $59,000 (figure 14).

Notably, a protection cap of 18 percent is less than the interest rate on most credit cards (and typically much less when the homeowner has a low credit score). If the contract was terminated after 10 years, with no home price appreciation, the $95,000 payment to the investor produces a return of 6.6 percent per year. If home prices went up 3 percent per year for 10 years, the home's value would be

$671,958, and the value of the 19 percent share would be $127,672, yielding a return to the investor of 9.8 percent per year. Greater home price appreciation would yield higher investment returns, subject to the protection cap (and would yield a better outcome for the homeowner).

The investor could lose money if their 19 percent share was worth less than $50,000, which would happen if the home's value falls below $263,158. Losses could also happen in circumstances where the home value declines significantly and there is a significant remaining balance on senior-lien mortgage loan debt.

Thus, the return to the investor depends on both the holding period and the change in home value. Table 2 shows the ending home value, the payout to the investor, the investor's share of the ending home value, and the annualized return to the investor. The shaded areas indicate when the homeowner protection cap is binding.

TABLE 2

Contract Mechanics for Unlock

Year	Home value	Contract value	Share of home value	Annualized ROI
3% home value appreciation				
1	$515,000	$59,000	11.5%	18.0%
2	$530,450	$69,620	13.1%	18.0%
3	$546,364	$82,152	15.0%	18.0%
4	$562,754	$96,939	17.2%	18.0%
5	$579,637	$110,131	19.0%	17.1%
6	$597,026	$113,435	19.0%	14.6%
7	$614,937	$116,838	19.0%	12.9%
8	$633,385	$120,343	19.0%	11.6%
9	$652,387	$123,953	19.0%	10.6%
10	$671,958	$127,672	19.0%	9.8%
Flat home value				
1	$500,000	$59,000	11.8%	18.0%
2	$500,000	$69,620	13.9%	18.0%
3	$500,000	$82,152	16.4%	18.0%
4	$500,000	$95,000	19.0%	17.4%
5	$500,000	$95,000	19.0%	13.7%
6	$500,000	$95,000	19.0%	11.3%
7	$500,000	$95,000	19.0%	9.6%
8	$500,000	$95,000	19.0%	8.4%
9	$500,000	$95,000	19.0%	7.4%
10	$500,000	$95,000	19.0%	6.6%
3% home value depreciation				
1	$485,000	$59,000	12.2%	18.0%
2	$470,450	$69,620	14.8%	18.0%
3	$456,337	$82,152	18.0%	18.0%
4	$442,646	$84,103	19.0%	13.9%
5	$429,367	$81,580	19.0%	10.3%
6	$416,486	$79,132	19.0%	8.0%
7	$403,991	$76,758	19.0%	6.3%
8	$391,872	$74,456	19.0%	5.1%
9	$380,116	$72,222	19.0%	4.2%
10	$368,712	$70,055	19.0%	3.4%

Source: Urban Institute calculations from DBRS reports.

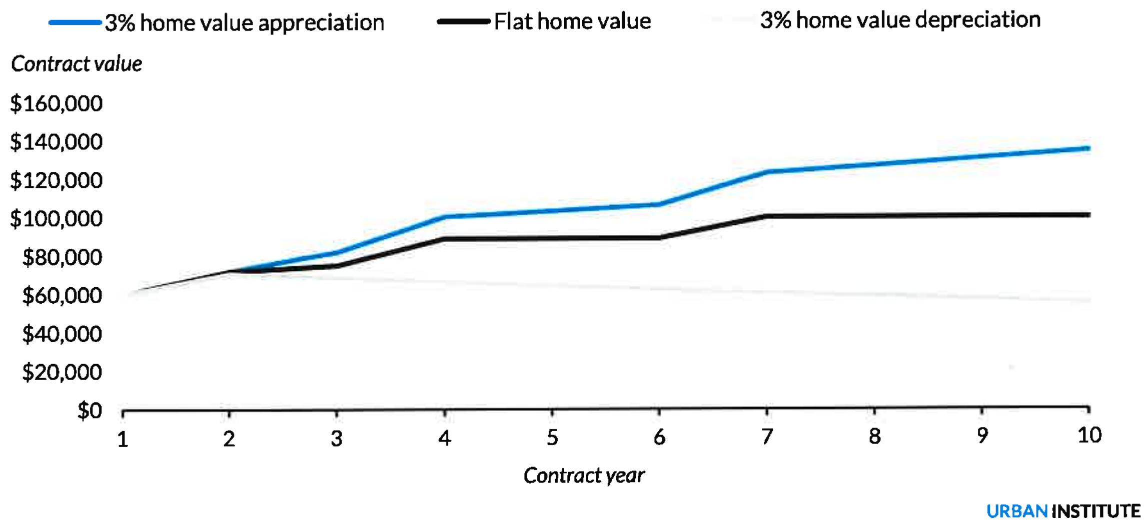
Notes: ROI = return on investment. Shaded cells show years where the homeowner protection cap is limiting the investor's return.

Hometap

Hometap has a similar structure, with a step-function pricing mechanism. For a 10 percent initial investment, the investor is entitled to 15.0 percent of the home's value in years 1 through 3, 17.8 percent in years 4 through 6, and 20.0 percent in years 7 through 10. The maximum return to the investor is capped at 20 percent. If home prices are down, the multiple on the investor's share is capped at 1.5, suggesting a 10 percent investment would never be entitled to more than 15 percent of the total home value in a down environment.

FIGURE 15

Hometap Contract Value Scenarios



Source: Urban Institute calculations from DBRS reports.

Table 3 shows the returns on a Hometap SEP. If home prices are flat and the contract is terminated after a year, the homeowner protection cap applies, and the investor receives the capped return of 20 percent. If home prices are flat for 10 years, the investor receives a payment of $100,000, representing an investment gain of $50,000, corresponding to a return of 7.2 percent per year (figure 15). If home prices appreciate at 3 percent for 10 years, the home's value would be $671,858, corresponding to an investor payment of $134,392, yielding a return to the investor of 10.4 percent per year. Greater home price appreciation would yield higher investment returns, subject to the protection cap (and would yield a better outcome for the homeowner). Investor returns would turn negative if the home's value, initially $500,000, was less than $333,333 at contract termination. Investor returns would also turn negative if the home value declines significantly and there is a significant remaining balance on senior-lien mortgage debt. Table 3 shows the ending home value, the payout to the investor, the investor's share of the ending home value, and the annualized return to the investors. The shaded areas indicate that the homeowner protection cap is binding.

TABLE 3

Contract Mechanics for Hometap

Year	Home value	Contract value	Share of home value	Annualized ROI
3% home value appreciation				
1	$515,000	$60,000	11.7%	20.0%
2	$530,450	$72,000	13.6%	20.0%
3	$546,364	$81,955	15.0%	17.9%
4	$562,754	$100,170	17.8%	19.0%
5	$579,637	$103,175	17.8%	15.6%
6	$597,026	$106,271	17.8%	13.4%
7	$614,937	$122,987	20.0%	13.7%
8	$633,385	$126,677	20.0%	12.3%
9	$652,387	$130,477	20.0%	11.2%
10	$671,958	$134,392	20.0%	10.4%
Flat home value				
1	$500,000	$60,000	12.0%	20.0%
2	$500,000	$72,000	14.4%	20.0%
3	$500,000	$75,000	15.0%	14.5%
4	$500,000	$89,000	17.8%	15.5%
5	$500,000	$89,000	17.8%	12.2%
6	$500,000	$89,000	17.8%	10.1%
7	$500,000	$100,000	20.0%	10.4%
8	$500,000	$100,000	20.0%	9.1%
9	$500,000	$100,000	20.0%	8.0%
10	$500,000	$100,000	20.0%	7.2%
3% home value depreciation				
1	$485,000	$60,000	12.4%	20.0%
2	$470,450	$70,568	15.0%	18.8%
3	$456,337	$68,450	15.0%	11.0%
4	$442,646	$66,397	15.0%	7.3%
5	$429,367	$64,405	15.0%	5.2%
6	$416,486	$62,473	15.0%	3.8%
7	$403,991	$60,599	15.0%	2.8%
8	$391,872	$58,781	15.0%	2.0%
9	$380,116	$57,017	15.0%	1.5%
10	$368,712	$55,307	15.0%	1.0%

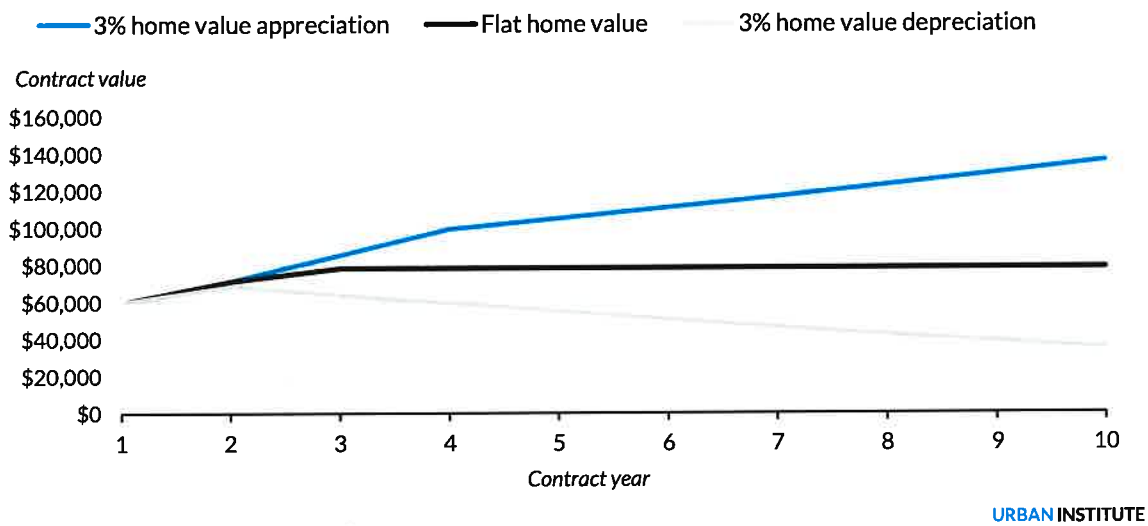
Source: Urban Institute calculations from DBRS reports.

Notes: ROI = return on investment. Shaded cells show years where the homeowner protection cap is limiting the investor's return.

Point

The Point contract is structured differently. At settlement, the investor receives the original investment amount plus a share of the home's change in value. But the initial home value used to calculate the change in value is at a discount to the actual appraised property value. If we assume a 17 percent discount for a $500,000 property, the initial value would be set at $415,000. For a 10 percent investment, the investor receives the return of their initial investment amount plus 33.4 percent of the home price change (plus or minus) starting from $415,000. Like Unlock and Hometap, Point has a maximum payment homeowner protection cap, generally around 1.50 percent per month (or 19.56 percent per year).

FIGURE 16
Point Contract Value Scenarios



Source: Urban Institute calculations from DBRS reports.

If home prices are flat, the investor's gain comes from the monetization of the initial discount. Thus, if the product did not contain a cap and the homeowner settled after one year, the home would be valued at $500,000, showing a gain from the discounted value of $85,000, giving the investor their initial $50,000 investment plus 33.4 percent of $85,000 (or $28,390), for a total settlement payment of $78,390 (figure 16). But this would be a higher return than what the homeowner protection cap permits. The investor would actually receive their capped 19.56 percent yearly return, or $59,780. After 10 years, if home prices remained flat, the homeowner would receive their initial investment plus a $28,390 gain, for a total settlement payment of $78,390 and an annualized return of 4.6 percent.

If home prices go up 3 percent per year, the home value would be $671,958. The investor would receive their initial $50,000 investment plus $85,824 [33.4 percent * ($671,958 – $415,000)] for a total settlement payment of $135,824. This corresponds to a return of 10.5 percent per year. Greater home price appreciation would yield higher investment returns, subject to the protection cap (and would yield a better outcome for the homeowner).

The investor would lose money if prices depreciated below the $415,000 initial discounted value, as the investor shares 33.4 percent of the downside below that value. The investor could also lose money in circumstances where the home value declines significantly and there is a significant remaining balance on senior-lien mortgage loan debt. The results for Point are in table 4.

TABLE 4

Contract Mechanics for Point

Year	Home value	Contract value	Share of home value	Annualized ROI
3% home value appreciation				
1	$515,000	$59,780	11.6%	19.6%
2	$530,450	$71,473	13.5%	19.6%
3	$546,364	$85,453	15.6%	19.6%
4	$562,754	$99,350	17.7%	18.7%
5	$579,637	$104,989	18.1%	16.0%
6	$597,026	$110,797	18.6%	14.2%
7	$614,937	$116,779	19.0%	12.9%
8	$633,385	$122,941	19.4%	11.9%
9	$652,387	$129,287	19.8%	11.1%
10	$671,958	$135,824	20.2%	10.5%
Flat home value				
1	$500,000	$59,780	12.0%	19.6%
2	$500,000	$71,473	14.3%	19.6%
3	$500,000	$78,390	15.7%	16.2%
4	$500,000	$78,390	15.7%	11.9%
5	$500,000	$78,390	15.7%	9.4%
6	$500,000	$78,390	15.7%	7.8%
7	$500,000	$78,390	15.7%	6.6%
8	$500,000	$78,390	15.7%	5.8%
9	$500,000	$78,390	15.7%	5.1%
10	$500,000	$78,390	15.7%	4.6%
3% home value depreciation				
1	$485,000	$59,780	12.3%	19.6%
2	$470,450	$68,520	14.6%	17.1%
3	$456,337	$63,806	14.0%	8.5%
4	$442,646	$59,234	13.4%	4.3%
5	$429,367	$54,799	12.8%	1.8%
6	$416,486	$50,496	12.1%	0.2%
7	$403,991	$46,323	11.5%	-1.1%
8	$391,872	$42,275	10.8%	-2.1%
9	$380,116	$38,349	10.1%	-2.9%
10	$368,712	$34,540	9.4%	-3.6%

Source: Urban Institute calculations from DBRS reports.

Notes: ROI = return on investment. Shaded cells show years where the homeowner protection cap is limiting the investor's return.

General Comments

The other established SEP firms (i.e., Unison and Splitero) use variants of either sharing a percentage of the home's value or sharing in the change in value. Every established provider has a homeowner protection cap. Thus, in every case, the return to the investor (and hence the cost to the homeowner) is a function of both when the contract terminates and the home value at settlement. Tables 2 through 4 show that the returns can vary significantly. If home prices appreciate over the life of the SEP, the homeowner and investor both do well. If home prices depreciate, the returns to the investors will be low or even negative.

SEPs are relatively risky investments when compared with mortgage loans.[12] Investors require a built-in return to provide some measure of protection. This is accomplished with a multiplier or discount to the starting home value, and the homeowner protection caps limit the impact of the built-in return. The caps generally apply in contracts' early years. The caps will typically apply for a longer time when home values increase significantly and for a shorter time when home values rise modestly, stay flat, or decrease. Thus, in the first few years of an SEP, the investment return, and therefore the cost to the homeowner, will typically equal the homeowner protection cap. In the middle years, the cap is much less likely to apply, and in later years, the cap is highly unlikely to apply.

Intuitively, the built-in return gets "stretched out" when the contract remains outstanding for a longer term versus a shorter term. Thus, in general, the longer the SEP contract remains outstanding, the higher the dollar amount of the settlement payment but the lower the cost expressed as a percentage of investment return.[13] Tables 2 through 4 show this. The dollar amounts in the contract value columns increase when going from years 1 through 10, while the percentages in the annualized ROI columns decrease.

Based on this, one might conclude that SEP investors all desire fast prepayment speeds in the hope of capturing higher annualized investment returns. But it is useful to look at the impact of prepayments from the investors' point of view. There is no one-size-fits-all view on prepayment speeds. Investor preferences vary depending on their return objectives, portfolio strategy, and liability profile. Although most SEP investors value consistency in prepayments, some prefer faster prepayments, while others prefer slower prepayments. Because annualized returns to investors are highest earlier in the contract and decrease as the contract matures, some SEP investors (e.g., fund managers seeking to maximize annualized returns on investment) will benefit when prepayment speeds are higher versus lower. But because SEP assets are generally sold to investors at a premium, very fast prepayment speeds can result in a return that fails to fully recover the premium. Also, increases in prepayment speeds are often driven by falling interest rates, resulting in less attractive reinvestment opportunities. On the other end of the spectrum, certain investors naturally favor slower, stable prepayment speeds. Private equity and private credit investors, for example, often seek to optimize for the multiple on invested capital, which increases as the SEP asset remains outstanding longer. Separately, many insurance companies with long-dated liabilities favor slower, stable prepayment speeds because longer-duration SEP assets serve as a valuable tool for asset-liability matching, providing stable, predictable cash flows that align with their long-term policyholder obligations. In addition, certain banks and asset managers operate under longer-duration investment mandates and similarly prefer the extended exposure that slower, stable prepayment speeds provide, as it reduces the need to frequently redeploy capital and minimizes reinvestment risk within their portfolios. In short, prepayment preferences are driven by each investor's unique return framework and portfolio objectives.[14]

Regulation of Shared Equity Products and Capital Markets Implications

The firms that originate these contracts usually sell the contracts directly to investors at origination through flow arrangements. The investors tie up quite a bit of cash in financing these SEP investments and realize their return only when the contracts terminate. As a result, investors often securitize these contracts, giving them some cash offset up front and offering other investors exposure to these investments. Morningstar DBRS, a nationally recognized statistical ratings organization, rates these securitizations.[15] To size the various tranches, DBRS subjects the cash flows to multiple stresses. It factors in regulatory uncertainty, as the regulatory structure is still evolving. It also factors in the strength of the asset servicer and, as required, the backup servicer.

SEP assets were securitized for the first time by Unlock in 2021. This securitization included other assets as well. Point did the first all-SEP securitization in 2021, and Unlock did the first rated SEP securitization in 2023. Currently, Unlock, Hometap, Point, Splitero, and Unison have outstanding securitizations, and all but Unison have contributed assets for securitizations that were issued in 2025.

Currently, shared equity products are subject to regulation at both the federal and state levels. At the federal level, SEPs are subject to the Fair Credit Reporting Act, the Federal Trade Commission Act, the Fair Housing Act, and certain provisions of the Gramm–Leach–Bliley Act. In addition, SEPs must comply with requirements related to unfair, deceptive, and abusive acts and practices. Notably, SEPs are not subject to the Truth in Lending Act or the Real Estate Settlement Procedures Act, as SEPs are not considered "credit" under the Truth in Lending Act. At the state level, state financial regulators diverge in their approaches to this product.

Existing mortgage loan regulations and SEP mechanics are incompatible. Consumer protections are necessary for these products but will work best for consumers, lenders, and investors when created with the unique characteristics of SEPs in mind, rather than simply applying the rules for mortgage loans. Nine states (i.e., Colorado, Connecticut, Georgia, Illinois, Maryland, North Carolina, Oregon, Washington, and Wisconsin) have decided to apply mortgage loan rules to SEPs, to a greater or lesser extent depending on the state. Although this is better than nothing for consumers, applying mortgage loan rules should be a temporary fix while SEP regulations are written and enacted. In those nine states, many SEP firms are licensed as mortgage lenders, thereby subjecting their products to applicable rules, to the extent practical, even if not directly relevant.

Key areas of incompatibility include the following:

- **No outstanding loan balance or amortization.** Unlike mortgage loan products, SEPs have no underlying unpaid principal balance subject to periodic interest payments that amortize in accordance with a predetermined payment schedule.
- **No stated interest rate or periodic payment.** There is neither a stated interest rate nor any interest payments, and eventual investment returns are based primarily on future home value. As a result, it is hard to comply with a requirement to disclose a single summary annual percentage rate of interest on an SEP, as any annual percentage rate calculation using the existing actuarial methodology would be an estimate based on the value of the home at a future date (which is unknown up front).
- **Underwriting is based on home equity, not credit and income.** Some states (as well as the federal government) require mortgage loan qualification to be based on credit and income. The ability-to-repay (ATR) standard for underwriting that applies to most first-lien mortgage loans is designed to demonstrate the likelihood that a consistent level of income will be available, enabling homeowners to make monthly mortgage loan payments. In contrast, the payment obligation with an SEP consists of a single payment that occurs at settlement, which will be years into the future for many SEP users. It is difficult to determine a homeowner's ability to make such a payment in the future. Without a viable method for making such a determination, the ability of SEP originators to comply with ATR requirements is questionable, and trying to use an ATR calculation with an SEP to determine a homeowner's ability to meet periodic payment obligations is inconsistent with the product's nature. Notably, under federal law, products with balloon payments that are five or more years into the future are exempt from the ATR requirement, as are home equity lines of credit and reverse mortgage loans because of their unique characteristics.
- **No credit reporting.** As there are no periodic payments and the product is not a form of "credit," SEP providers and servicers do not report originations or settlements to the credit bureaus in accordance with the Fair Credit Reporting Act.

- **Distinct servicing model.** Servicing SEPs differs significantly from servicing mortgage loans in that the servicer never holds homeowner monies (whether from periodic payments or through the escrow of monies for tax and insurance payments) and is never under an obligation to advance principal and interest payments to an investor.
- **Limited applicability of existing reporting regimes.** SEP originators do not capture many of the data elements found in existing reporting requirements (whether under HMDA or state mortgage call reports).

Many other states have thus far been silent on the treatment of SEPs.

There is an important role for the American Association of Residential Mortgage Regulators or possibly the Conference of State Bank Supervisors to play in standardizing the treatment of this product across states. They could provide guidance to state mortgage regulators on how this product should be treated from a regulatory perspective.

Regulatory Uncertainty Directly Affects SEP Pricing

The absence of a regulatory scheme that fits the product opens the industry to the risk of a patchwork of regulatory action by state or federal authorities. In a recent presale report, DBRS, the rating agency that rates most SEP securities, outlines the risk of an adverse regulatory outcome.

> "The perceived regulatory exposures include, inter alia, lawsuits and arbitration actions; Consumer Financial Protection Bureau or Federal Trade Commission sanction (or sanction by myriad state regulatory agencies); and the risk that the contracts may be reclassified as residential mortgages, which action may trigger potential allegations of violation of applicable state usury clauses. [...] In reaction to these concerns, Morningstar DBRS has acquired substantial legal memoranda, including memoranda from each Originator's counsel that has been reviewed for scope and content by Morningstar DBRS-retained counsel, that collectively address these concerns. In addition, Morningstar DBRS has applied an analytical adjustment to quantify and account for the regulatory risk" (Moran et al. 2024, 13).

In short, DBRS has asked SEP originators for information on how they would mitigate these risks and has justifiably priced this uncertainty into its ratings, which determine the size of each tranche within a securitization. For example, in a recent Unlock deal, HEA 2025-2, the single A (low-risk, low-return) tranche was 52.5 percent of the deal's value. If regulatory uncertainty had been eliminated, the tranche might have been larger, allowing for lower funding costs on more of the securitization. Notably, whenever any new consumer financial product and corresponding institutional investment financial asset class emerges, investors in the capital markets apply a significant risk premium related to regulatory uncertainty, which drives up the cost of capital. When regulatory uncertainty is resolved through comprehensive regulations for that asset class, the cost of capital comes down significantly. Competitive pressures would ultimately bring costs down for homeowners.

Toward a Tailored Regulatory Framework

It is important for both consumers and SEP industry market participants to have regulations that both protect consumers and provide the industry a framework that reduces the uncertainty of offering this product. The regulatory framework should include the following elements:

- The CFPB should monitor this product and include an option for SEPs in their consumer complaint database portal.
- There should be state licensing for those offering SEPs. Once a licensing application is complete, the commissioner should approve or deny the application in a timely manner. This license should be renewed annually.
- There should be caps on costs and fees, similar to the industry's voluntary homeowner protection cap.
- Prohibited practices should include the following:
  - » no false advertising
  - » no undisclosed fees
  - » no unreasonable limitations on the homeowner's ability to do a rate-term refinance of their senior mortgage loan
  - » no restrictions on the homeowner's legal use of the property as they see fit (e.g., the SEP originator should not restrict the homeowner's ability to rent out the property, subject to compliance with applicable laws and reasonable investor protections)
- Standards on appraisals are important for this product, as they determine the starting home value and often the ending home value, both of which factor directly into the settlement payment calculations. Appraisals should be done by an independent third party and in an independent manner consistent with existing regulations for mortgage loans.
- Disclosure and transparency on the homeowner's future payment obligation and how the calculations are done should be provided before entering into an SEP.
  - » A standard disclosure form should be agreed upon by various regulators and the SEP industry. It should include the starting home value, the transaction amount, the maximum

term, how contract settlement occurs, risks to the homeowner at settlement (e.g., being forced to take on additional debt, enter into another SEP, or sell the home if they do not have enough cash on hand to cover the settlement payment), how the settlement payment will be calculated (including the method for determining the ending home value), the homeowner protection cap, and a summary of fees that may be charged in connection with entering or exiting the contract.

  » It should also include calculations for different settlement periods (we suggest 1 year, 3 years, 5 years, 10 years, and the maximum term), as well as scenarios for changes in home value (e.g., depreciation of 2 percent, flat, or appreciation of 2, 4, or 6 percent). For each combination of settlement time period and change in home value, the disclosures should include the projected ending home value, the estimated settlement payment, the estimated annualized cost, and an indication as to whether the settlement payment was subject to a cap.

    - Our examples in tables 2 through 4 could serve as a prototype. Standardization of these tables across providers would be helpful to consumers and would allow comparisons across originators. These disclosures should also be in the closing documentation.

- There should be a rescission period of three business days, during which the homeowner can rescind their acceptance of the shared equity agreement.

- There should be closing statements tailored to this product.

CHEP members and perhaps others are already using disclosure forms that largely meet the disclosure and transparency requirements described above, but each provider has its own version. CHEP members have proposed a standardized SEP industry disclosure form that meets the requirements described above and would make it easier for homeowners to compare offerings between originators.

State regulators may also want to consider requiring either an online course to make sure the homeowner understands the product or, alternatively, SEP counseling if the homeowner is 62 or older, has a low credit score, or both. This would be consistent with the requirements for home equity conversion reverse mortgages. Notably, many SEP originators already offer a mandatory consumer education process, and the industry, working with a US Department of Housing and Urban Development–approved national housing counseling provider, has brought to market an SEP counseling solution.

Shared equity products require a regulatory structure that is tailored to fit the product's unique characteristics, addresses SEPs' inherent incompatibilities with existing mortgage loan regulations, and gives consumers transparency on the costs of accepting the investment in their home. Because we are early in the product's maturity, now is the time to create this structure. Regulatory uncertainty increases the cost of the product to the consumer. Investors are currently pricing significant regulatory risk into their required return, and investors ultimately set this product's price. When regulatory uncertainty is reduced, the cost of the products can be reduced, and this is the stated goal of CHEP member companies. We hope to see this uncertainty reduced and homeowners better protected in the years ahead.

Conclusion

Shared equity products are a unique tool. Data show that homeowners' stated uses of SEP proceeds are to tap into their home equity primarily for paying down debt and secondarily for home improvement or savings. SEPs are rarely used as a home purchase tool. Homeowners using SEPs include those who are excluded from traditional equity extraction via mortgage loan products (e.g., homeowners with low credit scores or income challenges) and homeowners who wish to minimize monthly payments while still tapping into their home equity. The homeowner profile in terms of age, income, and amount of equity extracted is similar to other equity-extraction products. Home values underlying SEPs are higher, but this reflects the fact that thus far, a disproportionate number of SEPs are on California-based properties. All SEPs, by definition, give homeowners an up-front payment in exchange for a stake in their home value, but the product terms and structure differ across originators.

Because SEPs are relatively new and distinct from mortgage loans, they are not well understood and are not sufficiently regulated in all states. SEPs are fundamentally incompatible with many mortgage loan regulations. State regulators need to address this issue to protect consumers and investors. That is, homeowners need to understand the agreement they are entering into and all the costs. Investors need the certainty of a regulatory environment that fits this product. A proper regulatory framework is needed, including a standard disclosure form, along the lines of what we have proposed above. We suggest that the American Association of Residential Mortgage Regulators could play a key role here. These rules would standardize practices, allow for comparisons across originators, and require all to conform to a minimum standard. Many SEP originators already include many of the homeowner protections we are suggesting be codified, including cost caps, robust disclosures, and rescission periods.

SEPs, like all financial products, are priced based on the current cost of capital. Today, the cost of capital reflects a significant risk premium because of regulatory uncertainty. Greater certainty about the regulatory environment will give investors greater confidence in the product, lowering costs for homeowners.

Notes

[1] Point data started in 2015, Hometap data started in 2018, and Unlock data started in 2020. More than 52,000 agreements were originated from 2020 to 2025.

[2] Complaints lodged with the CFPB against SEP originators have been limited. The three SEP originators that provided data have been, in the aggregate, the subject of 73 complaints made to the CFPB since commencing operations. As of June 2025, these three providers had originated more than 54,000 SEP contracts since commencing operations. This represents a rate of one complaint for every 740 contracts on a lifetime basis. For comparison, in 2024, the CFPB received 26,100 complaints against mortgage loan originators while 6.09 million mortgage loans were originated. Annually, this represents a rate of one complaint for every 233 loans. See "Issue Spotlight: Home Equity Contracts: Market Overview," Consumer Financial Protection Bureau, last updated January 27, 2025, https://www.consumerfinance.gov/data-research/research-reports/issue-spotlight-home-equity-contracts-market-overview/.

[3] Although we have complete data for three originators, we do not have data for all originators. Other originators may do a small share of purchase origination, but anecdotally, the share is very small.

[4] Laurie Goodman, Karan Kaul, and Ted Tozer, "Second-Lien Securitization Could Be Key to Accessing Home Equity in a High-Rate Environment," *Urban Wire*, Urban Institute, January 25, 2023, https://www.urban.org/urban-wire/second-lien-securitization-could-be-key-accessing-home-equity-high-rate-environment.

[5] Home financing in this context means the sum of all outstanding mortgage loan balances plus, for homeowners using SEPs, the amount the SEP originator invests in the home.

[6] We use an ordinary least squares regression to find the correlation between property values and found that after controlling for year and zip code, there is no statistically significant difference between property values of homeowners who used an SEP or homeowners who used a mortgage loan to extract equity.

[7] For cash-out refinances and first-lien open-end lines of credit, we do not know the amount of the underlying mortgage being replaced.

[8] SEP originators have provisions (which vary by originator) under which a spouse or heirs of a homeowner can assume the remaining term of the SEP upon the death of the final original signatory.

[9] Before a settlement would be required under any such default events, homeowners would be provided customary cure periods and certain other protections under applicable laws. Our conversations indicate that none of the three SEP originators that provided data to us has ever initiated a foreclosure.

[10] Some SEP providers have policies under which they may offer term extensions under certain circumstances at contract maturity.

[11] According to their websites, at the time of writing, Point's origination fee is 3.9 percent of the investment amount, Hometap's origination fee is 4.5 percent, and Unlock's is 4.9 percent. See "Frequently Asked Questions," Hometap, accessed February 16, 2026, https://www.hometap.com/faqs#settling_the_investment; and "Questions? We Have Answers," Unlock, accessed February 16, 2026, https://www.unlock.com/resources/faqs/.

[12] SEPs are long-term real estate equity investments where the entire investment return is deferred to the time of settlement instead of being paid along the way, as with a mortgage loan. Most SEPs are in the second-lien position, which creates risk that the homeowner will default on the senior-lien mortgage loan. There is also considerable risk of home price depreciation, homeowner failure to maintain the property, and regulatory uncertainty.

13 In addition to the homeowner protection caps that limit the *cost* of an SEP, the three largest SEP providers also cap the *size* of their investments to increase the likelihood that there will be significant homeowner equity at the time of settlement. Unlock and Hometap, which use the "total home value" model, cap investment size such that their share of equity in the home as established at origination cannot exceed 50 percent. Point, which uses the "change in home value" model, caps investment size such that its share of the future change in home value as established at origination cannot exceed 70 percent.

14 SEP originators say the average expected term of an SEP is 5 to 10 years.

15 Kroll Bond Rating Agency has published a rating methodology for SEPs but has not yet rated a transaction.

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Moran, Derek, Stephen Buteau, and Quincy Tang. 2024. "Home Equity Investments—A Primer." Morningstar.

About the Authors

Laurie Goodman is an Institute fellow and the founder of the Housing Finance Policy Center at the Urban Institute. The center provides policymakers data-driven analyses of housing finance policy issues they can depend on for relevance, accuracy, and independence. Before joining Urban, Goodman spent 30 years as an analyst and research department manager at several Wall Street firms. From 2008 to 2013, she was a senior managing director at Amherst Securities Group LP, a boutique broker-dealer specializing in securitized products, where her strategy effort became known for its analysis of housing policy issues. From 1993 to 2008, Goodman was head of global fixed income research and manager of US securitized products research at UBS and predecessor firms, which were ranked first by *Institutional Investor* for 11 straight years. Before that, she held research and portfolio management positions at several Wall Street firms. She began her career as a senior economist at the Federal Reserve Bank of New York. Goodman was inducted into the Fixed Income Analysts Hall of Fame in 2009. Goodman serves on the board of directors of MFA Financial and Arch Capital Group Ltd. and is a consultant to the Amherst Group. She has published more than 200 journal articles and has coauthored and coedited five books. Goodman has a BA in mathematics from the University of Pennsylvania and an AM and PhD in economics from Stanford University.

Katie Visalli is a research analyst in the Housing Finance Policy Center. Her recent work focuses on loss mitigation, LGBTQ+ homeownership, and housing market trends via the At a Glance monthly chartbook. Visalli graduated magna cum laude with research distinction from the Ohio State University with a BA in philosophy, politics, and economics.

Statement of Independence

URBAN
INSTITUTE

500 L'Enfant Plaza SW
Washington, DC 20024

www.urban.org

Dear Members of the House Commerce Committee,

My name is Donovan Adamson, and I am a homeowner in Pen Argyl, PA. I want to share our experience with Point's Home Equity Investment (HEI) and to express my opposition to HB 2120.

- In June of 2018, my son came home late in the evening and found the roof in our family room was leaking during severe thunderstorms. An Allstate adjuster examined the roof but could not determine the cause of the leak. We were instructed to have a roofing firm examine the roof and if the firm could verify that the storm caused the damage, Allstate would cover the replacement. The only firm that was willing to examine the roof would not conclude that the damage was caused by the storm. I covered the roof with tarps as recommended by the firm and began researching ways to secure funds to replace the roof.
- In February 2022, after numerous attempts, we were able to refinance our mortgage (went from 40 year to 30 year) and get some cash to put towards the roof, but our debt-to-income ratio did not allow us to borrow for the full replacement cost. As I was researching options I learned of Point's HEI.
- We decided to go forward with Point's HEI because we would be able to be approved in our current financial situation and we could consider other home improvements without an additional loan payment.
- Our HEI has allowed us to
    - Replace our roof and gutters with gutter guards
    - Have the tree line along the west side of our property professionally trimmed, removing the possibility of broken limbs falling on our house or our neighbor's vehicles in their driveway on the other side of the tree line
    - Remodel our kitchen -new layout, cabinets, appliances, counter tops, lighting, trim, painting and flooring
    - Stay financially stable since one of us was unemployed
- Here are some other things that are positively associated with our Point HEI
    - At maturity, we will still have a significant part of our equity
    - If we were to experience financial difficulties, Point would assist us with staying in our home to overcome the difficulty

- Recently, Point offered us the opportunity to apply for a home equity loan as an option to pay back the current repayment amount at a lower interest rate than if we pay it back at the maturity date

Thank you for taking the time to consider our perspective and for supporting access to Home Equity Investments for homeowners in Pennsylvania.

Sincerely,
Donovan Adamson

484-542-0645

Donna Adamson

484-542-2112

530 Green Lane, Pen Argyl, PA 18072

PA 138th District

Dear Members of the House Commerce Committee,

My name is Edward Bluestein and I am a homeowner in Bryn Mawr, PA. I want to share my experience with Point's Home Equity Investment (HEI) and to express my opposition toHB 2120.

I was looking for funds to do a home improvement and to pay off high interest credit cards.

Other options were not a good fit for me because another high interest loan would have created another high, monthly payment.

I decided to move forward with Point's HEI because it was fair and easy to understand.

My HEI has given me much needed funds to help me accomplish my goals.

Thank you for taking the time to consider my perspective and for supporting access to Home Equity Investments for homeowners in Pennsylvania.

Sincerely,

Edward Bluestein

Dear Chair Conklin, Chair Lawrence, and Members of the Committee:

I am writing as a resident ofPhiladelphia, Pennsylvania, to share my personal experience and express my opposition to HB 2120.

After carefully researching different options online in November of 2025 to help me in clearing out ongoing credit card debt I have had and finally making a New Year's Resolution I was very happy to find Hometap and my investment manager Zach Manz!

I had no idea a HEI had ever existed before! Going the route of a HELOC or Home Equity Loan etc was just not an option for me! I had been down that path before and financially was not able to use that to help me. But after researching how an HEI like Hometap offers online and working with Zach Manz I was able to see the "light" at the end of a very long tunnel for me! Thankfully I was approved after working with my investment manager Zach and by Jan 23 2026 recieved my investment funds!

What's great about Hometap is it allows you to stay in your home and recieve the home Equity that you ALREADY HAVE to free up funds you can utilize in paying down your debt or making additional home repairs which I was in need of without the burden of making additional monthly payments back to back to back locked in for years with a HELOC or other Home Equity personal loan.

Having this ability to recieve the funds with a HEI and not have to make monthly payments has been a great asset in helping me achieve my goals and get out of debt!

While there are many options available for people to consider an HEI was the best solution for me and my needs! I strongly encourage and support the state of PA pass the bill to bring the practice of HEI's to the many people who can benefit from it!

Having the ability for people to "tap" your home Equity in this way can be yet another solution to help them once and for all! Thanks Hometap for all your assistance in helping me resolve my debt!

I am concerned that any intention or impact of HB 2120 that results in restricting or limiting the availability of home equity investments, referred to as shared appreciation agreements in Pennsylvania, would directly harm consumers like me who depend on them.

I respectfully ask the Committee to carefully consider the real-world impact this legislation would have on Pennsylvanians who depend on access to these financial products. I urge you to oppose HB 2120 as currently drafted.

Thank you for your time and your service to our Commonwealth.

Sincerely,

DocuSigned by:

NATHAN BOKEKO

825D175D505C4D2...

Nathan Bokeko

Dear Members of the House Commerce Committee,

My name is Debbie Conover and I am a homeowner in Baden, PA. I want to share my experience with Point's Home Equity Investment(HEI) and to express my opposition to HB 2120.

I was looking for funds to help me pay for my daughter's higher education. Other options weren't a good fit for me because the interest rates on traditional loans and credit cards did not make financial sense at this time. This prompted me to move forward with Point's HEI because they were able to get me the money that I needed in a timely manner using the equity that I had built in my home. My HEI has given me the opportunity to help my daughter succeed and build a better future for herself.

Thank you for taking the time to consider my perspective and for supporting access to Home Equity Investments for homeowners in Pennsylvania.

Sincerely,

Debbie Conover

Dear Members of the House Commerce Committee,

My name is David Crelia, and I am a homeowner in Bushkill, PA. I want to share my experience with Point's Home Equity Investment (HEI) and to express my opposition to HB 2120.

I was looking for funds to consolidate debt and make some home improvements.

Other options weren't a good fit for me because: My credit score had dropped and I couldn't get approved for a traditional loan.

I decided to move forward with Point's HEI because we had good equity built up in our home and we could get the funds needed without having to make monthly payments and still be able to have enough after our current homes sale to purchase a retirement home.

My HEI has given me peace of mind and the ability to live comfortably until retirement.

Thank you for taking the time to consider my perspective and for supporting access to Home Equity Investments for homeowners in Pennsylvania.

Sincerely,

David and Candy Crelia

Dear Members of the House Commerce Committee,

My name is Ryan Frazier, and I am a homeowner in Philadelphia, PA. I want to share my experience with Point's Home Equity Investment (HEI) and to express my opposition to HB 2120.

I was looking for funds to Pay my property taxes. Other options weren't a good fit for me because my credit score was too low for traditional loan and credit options and I was out of work for a long time due to an injury.

I decided to move forward with Point's HEI because I could stay in my home and sell after a period of time and still have enough to buy another house if I chose to. My HEI has given me the ability to pay my property taxes and pay back old bills such as credit cards.

Thank you for taking the time to consider my perspective and for supporting access to Home Equity Investments for homeowners in Pennsylvania.

Sincerely,

Ryan Frazier

Dear Chair Conklin, Chair Lawrence, and Members of the Committee:

I am writing as a resident of Leesport, Pennsylvania, to share my personal experience and express my opposition to HB 2120.

Hometap for me reminds me of home. Started from a journey of a little city townhome, birthed was an idea of sustainability. Three years ago my wife and I had this idea, of living better in all aspects of life. Gathered together with the what can be best for our children as well.

We both wanted to move to the country life. With that vision full steam we started searching for steps to it. What we kept coming back to was finding the right property and the funds. Luckily we did have a paid off home, but we still needed a bridge to be able to cross. Back to the search we go and in come flying Hometap! The HEI that Hometap was able to provide gave us the necessary amount to do some minor repairs to the townhome and use the rest to catapult us in the country.

Hometap made it possible for us grow our garden and livestock and build our life to sustainability.

I am concerned that any intention or impact of HB 2120 that results in restricting or limiting the availability of home equity investments, referred to as shared appreciation agreements in Pennsylvania, would directly harm consumers like me who depend on them.

I respectfully ask the Committee to carefully consider the real-world impact this legislation would have on Pennsylvanians who depend on access to these financial products. I urge you to oppose HB 2120 as currently drafted.

Thank you for your time and your service to our Commonwealth.

Sincerely,

DocuSigned by:
James Guischard
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James Guischard

Dear Members of the House Commerce Committee,

My name is Name is Clark Hamlin and I am a homeowner in Levittown, PA. I want to share my experience with Point's Home Equity Investment (HEI) and to express my opposition to HB 2120.

I was looking for funds to eliminate debt. Other options weren't a good fit for me because traditional loans created new debt and qualifying was difficult for me.

I decided to move forward with Point's HEI because it provided the best solution. My HEI has given me financial freedom. I no longer have the stress of old debt.

Thank you for taking the time to consider my perspective and for supporting access to Home Equity Investments for homeowners in Pennsylvania.

Sincerely,
Clark Hamlin

Dear Members of the House Commerce Committee,

My name is Matt, and I am a homeowner in Denver, PA. I want to share my experience with Point's Home Equity Investment (HEI) and to express my opposition to HB 2120.

I was looking for funds to clear all my debt (car loans, credit cards) and start fresh. Other options weren't a good fit for me because my credit wasn't that great and I felt like taking out a loan was just digging myself into a deeper hole.

I decided to move forward with Point's HEI because it seemed like the best option to help me move forward without feeling like I was taking two steps forward and one step backward. My HEI has given me the ability to clear all my debt and make living much more affordable and enjoyable.

Thank you for taking the time to consider my perspective and for supporting access to Home Equity Investments for homeowners in Pennsylvania.

Sincerely,

Matthew Klopp

Dear Members of the House Commerce Committee,

My name is Brian Kuhn, and I am a homeowner in Hatboro, PA. I want to share my experience with Point's Home Equity Investment (HEI) and to express my opposition to HB 2120.

I was looking for funds to pay off high interest credit card debt and personal loans.

Other options weren't a good fit for me because due to financial difficulties that began with the pandemic, my family was forced to rely on credit for a lot of expenses. Credit cards were no longer an option and our credit scores were not high enough to get a home equity loan.

I decided to move forward with Point's HEI because it was the perfect solution for our situation. The process was simple, it gave us the funds we needed, and it did not increase our monthly debt payments.

My HEI has given me peace of mind and financial flexibility. I highly recommend Point and getting an HEI for homeowners who qualify. I received great customer service and the step by step process was easy to follow.

Thank you for taking the time to consider my perspective and for supporting access to Home Equity Investments for homeowners in Pennsylvania.

Sincerely,

Brian Kuhn

Dear Members of the House Commerce Committee,

My name is Maria McCormack, and I am a homeowner in Rose Valley, PA. I want to share my experience with Point's Home Equity Investment (HEI) and to express my opposition to HB 2120.

I was looking for funds to put me and my family in a much better financial position. The plan was to pay down revolving debt, catch up on overdue bills and ensure a solid financial footing for budgeting.

Other options weren't a good fit for me because my credit had taken a hit due to missed and late payments putting me in a position to not be eligible for traditional home equity opportunities.

I decided to move forward with Point's HEI because I needed to find a way that would allow me as a single mom to better manage my monthly expenses, address my debt and have the means to make various home improvements.

My HEI has given me peace of mind knowing my day to day living is no longer under the threat of stress and anxiety. I am now in a much more stable financial position. I already have major home improvement projects scheduled once the weather improves. I am truly excited for me and my family knowing that the upcoming changes to our home would not be possible without Point and my HEI.

Thank you for taking the time to consider my perspective and for supporting access to Home Equity Investments for homeowners in Pennsylvania.

Sincerely,
Maria McCormack

Dear Members of the House Commerce Committee,

My name is Michael McCutcheon, and I am a homeowner in Philadelphia,PA. I want to share my experience with Point's Home Equity Investment (HEI) and to express my opposition to HB 2120.

I was looking for funds to pay off debt in order to boost my credit score and have a chance to refinance my home.

Other options weren't a good fit for me because my credit score was suffering from high interest credit cards and student loans. I needed a way to consolidate and boost my score.

I decided to move forward with Point's HEI because it gave me a safety line to improve my financial situation. Point was a fast and convenient option for me.

My HEI has given me an opportunity to use an asset I had to improve my situation. With my understanding of the process I was able to boost my credit score and secure a refinanced loan in which I felt I may never have the opportunity to do.

Thank you for taking the time to consider my perspective and for supporting access to Home Equity Investments for homeowners in Pennsylvania.

Sincerely,
Michael McCutcheon

Dear Members of the House Commerce Committee,

My name is Penny Myers, and I am a former homeowner from York, PA. I am writing to share my personal experience with a Home Equity Investment (HEI) and to express my opposition to HB 2120.

Following the passing of my husband, I was looking for funds to pay off debt. Traditional financial options were not a good fit for my situation; I did not want to refinance my mortgage because I had a very low interest rate, and the monthly payments for a second mortgage were too high. I needed a flexible option that would not require taking on additional monthly debt.

The HEI stood out to me because it required no monthly payments and offered a very straightforward process. Having access to this option gave me the confidence to move forward with my financial plans. As a widow, it was truly the best choice for me.

Homeowners in Pennsylvania need options like the HEI because it allows them to access their equity without the burden of monthly payments. When I recently sold my home, the process of paying back the investment was simple and efficient.

Thank you for considering my perspective. I ask that you help ensure Pennsylvania families continue to have access to Home Equity Investments as a flexible financial resource.

Sincerely,

Penny Myers

Dear Chair Conklin, Chair Lawrence, and Members of the Committee:

I am writing as a resident of Harrisburg, Pennsylvania, to share my personal experience and express my opposition to HB 2120.

Transitioning from a stable paycheck to the unpredictable world of entrepreneurship is a massive leap of faith, especially when you have a seven-year-old at home and a household to help manage. Despite having excellent credit and significant equity in our home, the traditional banking system wasn't built for people like me—at least not in the "startup phase." Because I had recently quit my job to launch my own small business, I lacked the three months of steady income documentation that conventional lenders demand. Being denied a HELOC was a frustrating roadblock; it felt like my years of financial responsibility were being overlooked just because I chose to bet on myself.

That is where a Home Equity Investment (HEI) became a total game-changer. Unlike a traditional loan that focuses heavily on current debt-to-income ratios, the HEI allowed me to tap into my home's value based on its worth, providing the essential capital I needed without the burden of immediate monthly repayments. This infusion of cash was the lifeline my family needed to stay afloat, covering both my burgeoning business expenses and our daily personal finances. It gave me the breathing room to focus on scaling my business rather than stressing over cash flow, proving that there are modern financial paths for homeowners who don't fit the "corporate" mold.

I am concerned that any intention or impact of HB 2120 that results in restricting or limiting the availability of home equity investments, referred to as shared appreciation agreements in Pennsylvania, would directly harm consumers like me who depend on them.

I respectfully ask the Committee to carefully consider the real-world impact this legislation would have on Pennsylvanians who depend on access to these financial products. I urge you to oppose HB 2120 as currently drafted.

Thank you for your time and your service to our Commonwealth.

Sincerely,

Signed by:

25D0D8B082984DB...

Sophia Nguyen

Dear Members of the House Commerce Committee,

My name is Melanie Pappasergi, and I am a homeowner in West Norriton, Pa. I want to share my experience with Point's HEI. I am very much opposed to HB 2120.

I was looking for funds to consolidate my debts.

There were no other options for me. Getting a consolidation loan wasn't feasible because it would put me right back to where I started. Would be impossible to pay it back.

I chose to go with Point's HEI so that I could pay off my debts immediately. By doing so, it has taken all the pressure off of paying on these charges every month. I am now debt free and am able to SAVE money every month for my future.

Thank you for taking the time to consider my perspective and for supporting access to Home Equity Investments for homeowners in Pennsylvania.

Sincerely,

Melanie Pappasergi

February 24th, 2026

Dear Members of the House Commerce Committee,

My name is Roberta Raudabaugh, and I am a homeowner in Carlisle, PA. I want to share my experience with Point's Home Equity Investment (HEI) and to express my opposition to HB 2120.

I was looking for funds to help recover from a divorce in which it was a financial drain on me. A few months after the divorce(about 7 months) another situation became present in order to maintain my home. This was a big blow again to the financial side for me but also of home ownership. I became stuck. I had good employment but not enough to cover all that was needed to move forward in my situation and due to my credit score taking a hit from the divorce other options weren't a good fit for me because of what I was left with in the divorce situation.

After trying to explore all other options, in which I was declined for, I came across Point's HEI. They really took the whole picture of my situation into account and I decided to move forward with Point's HEI because it was the best option I had.

My HEI has given me access to funds and has helped me achieve the worst part of dealing with the home ownership but also the ability to help me move forward to start to build my financial situation for the better.

Because of the chance they gave me after some uncontrollable situation I currently have my own business and I can say I am financially stable and moving toward a brighter future, not only for me but for my family.

Thank you for taking the time to consider my perspective and for supporting access to Home Equity Investments for homeowners in Pennsylvania.

Sincerely,
Roberta E. Raudabuagh

Dear Members of the House Commerce Committee,

My name is Ron Schwoyer, and I am a homeowner in Richboro, PA. I want to share my experience with Point's Home Equity Investment (HEI) and to express my opposition to HB 2120.

I was looking for funds to improve our home and cover medical bills. Other options weren't a good fit for me because of terms and conditions. I decided to move forward with Point's HEI because we liked the cash out now option. My HEI has given me freedom to handle bills and begin improvements.

Thank you for taking the time to consider my perspective and for supporting access to Home Equity Investments for homeowners in Pennsylvania.

Sincerely,

Ron Schwoyer

Dear Members of the House Commerce Committee,

Hi, my name is Steve Shope, and I am a homeowner in Newville, PA. I want to share my experience with Point's Home Equity Investment and to express why I oppose the HB 2120.

My wife and I saw some real needs with our home but we were lacking the funds to address those needs (like replacing the roof and plans to restore our deck during the warmer seasons).

The reason we chose the HEI from Point is because my wife and I could assess and improve on our home in a timely manner without constantly feeling the pressure of having to make monthly payments that traditional loans and credit cards can pose. Point's HEI on the other hand allow us ample time (up to 30 years maximum) to when we may decide to pay back their investment. These type of investments allow struggling homeowners like myself to invest in their home now and sell it at a greater value at a more opportune time for the future.

Thank you so much for allowing me to share my view in support of Point and Home Equity Investments for Pennsylvania homeowners.

Dear Members of the House Commerce Committee,

My name is Martin Silva, and I'm a homeowner in Bethlehem, PA. I'm writing to share my experience with a Home Equity Investment and to express my opposition to HB 2120.

I was looking for funds to pay off outstanding bills and upgrade my home.

Other financial options weren't a good fit for me because I didn't qualify for a traditional loan, and the monthly payments were too high.

What stood out to me about the HEI was the fact that, they didn't require monthly payments, and the flexibility of being able to keep my existing mortgage rate.

My HEI has helped me catch up on bills, repair old bathrooms, and update carpeting without additional loans.

Homeowners in Pennsylvania need options like the HEI because not everyone can afford loans on top of mortgages and outrageous utility bills as they are now!

Thank you for taking the time to consider my perspective. Please help ensure families in Pennsylvania can continue to access Home Equity Investments as a flexible financial option.

Dear Chair Conklin, Chair Lawrence, and Members of the Committee:

I am writing as a resident of Bucks County, Pennsylvania, to share my personal experience and express my opposition to HB 2120.

We worked with Hometap in 2024 and the process was very straightforward and easy to understand. We had a dedicated "Advisor" who was excellent and answered all of our questions along the way. We were able to utilize the funds for some home projects and debt consolidation.

I am concerned that any intention or impact of HB 2120 that results in restricting or limiting the availability of home equity investments, referred to as shared appreciation agreements in Pennsylvania, would directly harm consumers like me who depend on them.

I respectfully ask the Committee to carefully consider the real-world impact this legislation would have on Pennsylvanians who depend on access to these financial products. I urge you to oppose HB 2120 as currently drafted.

Thank you for your time and your service to our Commonwealth.

Sincerely,

Stefan Szygiel

Dear Members of the House Commerce Committee,

My name is Bruce Weaver, and I am a homeowner in Fogelsville, PA. I want to share my experience with Point's Home Equity Investment (HEI) and to express my opposition to HB 2120.

I was looking for funds to pay my remaining personal debt so I could remain in my home of 30 years as I start looking to retire. I am 75 years old and was looking to pay off high interest remaining debt without having to take out a loan. Like many people my wealth is in the value of my home and always wondered why it required you to sell your home to have access to the equity. HELOCs were an alternative but it required you to add another monthly payment. That is why Points HEI was exactly what I was looking for, access to a portion of my home equity without having a monthly payment making it easier to stay in my home until such a time as i decide to leave. I now have only my mortgage, utilities and taxes as I was able to pay off all my other debt. Point was very good in explaining how the program worked and all my options. Thay were an excellent company to work with and I'm extremely pleased with how it worked out. It's the only program I came across that allows you to access part of your home equity without having to add another monthly bill.

Thank you for taking the time to consider my perspective and for supporting access to Home Equity Investments for homeowners in Pennsylvania.

Sincerely,
Bruce M Weaver

Dear Members of the House Commerce Committee,

My name is John Wesley Sorkvist, and I am a homeowner in PA. I want to share my experience with Point's Home Equity Investment (HEI) and to express my opposition to HB 2120.

Point made accessing the equity in my home an easy and quick process which was at a point when we needed this as a family to support our kids and grandchildren when conventional loans are a long drawn out process and we have the option as retirees to pay off the loan when it suits us financially. It was a life line for us. Everything was explained in full and they were very helpful in every step of the process. Thank you Point.

Thank you for taking the time to consider my perspective and for supporting access to Home Equity Investments for homeowners in Pennsylvania.

Sincerely,
John Wesley Sorkvist

Dear Members of the House Commerce Committee,

My name is Christine Marie Wlas, and I am a homeowner in Philadelphia, Pennsylvania. I am writing to share my personal experience with a Home Equity Investment (HEI) and to express my formal opposition to HB 2120.

Following the passing of my partner in 2020, I sought financial options that would allow me to remain in the home I have lived in for 38 years. Many traditional financial products were unavailable to me, as I did not meet their specific qualification criteria. After conducting extensive research, I found that a Home Equity Investment was the ideal solution for my circumstances. The process was transparent, and the support I received was exceptional. This investment has enabled me to maintain my home, manage my expenses, and avoid burdensome debt.

It is vital that Pennsylvania homeowners continue to have access to HEIs. These products provide a critical alternative for individuals who may not qualify for traditional lending but require flexible financial options to maintain their stability and dignity.

Thank you for your time and for considering my perspective on this matter. I urge you to support the continued availability of Home Equity Investments for families across the Commonwealth.

Sincerely,

Christine Marie Wlas

Testimony of Ian Charlton,
Staff Attorney at Community Legal Services,
before the Pennsylvania House Commerce Committee

In Support of HB 2120: Updating the Loan Interest and Protection Law (Usury Law) to Provide Transparence and Protections to Homeowners Entering Shared Appreciation Agreements

February 25, 2026

Chair Conklin, Chair Lawrence, and members of the House Commerce Committee, I appreciate the opportunity to testify today on House Bill 2120, and how it will help prevent low-income families and aging Pennsylvanians from falling prey to a new brand of predatory high interest home equity loans characterized by large balloon payments known as shared appreciation agreements. This bill will make a change to the Loan Interest and Protection Law, commonly known as Pennsylvania Act 6 of 1974 ("Act 6"), 41 Pa. Stat. Ann. § 101 *et seq.*, to clarify that the definition of residential mortgage includes shared appreciation agreements, thus subjecting them to a host of important state protections already in place for residential mortgages. Those protections include mandatory notices before the lender may file foreclosure on a defaulted loan, caps on interest, and a right to cure any default up until the date of sheriff sale. Ultimately, putting shared appreciation agreements under the Act 6 umbrella along with the rest of Pennsylvania residential mortgage loans is a commonsense response to the dangers of a financial product that will negatively impact the housing equity and stability of thousands of Pennsylvanians.

I am an attorney at Community Legal Services, where I represent clients in foreclosure and other mortgage-related cases. Community Legal Services (CLS) is a non-profit legal aid office representing low-income clients in Philadelphia. Each year, we represent hundreds of homeowners facing the loss of their home, including defending homeowners in judicial mortgage foreclosure proceedings. We are familiar with the fallout of the predatory lending bubble of the early 2000s, and still help clients facing foreclosure on pre-2008 loans, some of which have matured with unaffordable balloons like those at issue with shared appreciation agreements.

Over 50 years ago, the General Assembly recognized that homes are unlike any other asset and passed Act 6, placing caps on mortgage interest rates, eliminating pre-payment penalties, outlawing confession of judgments, and requiring reasonable notice before a lender files a foreclosure to give the homeowner an opportunity to cure their delinquency before facing litigation. Mandatory pre-foreclosure notices protect homeowners from unlawful collection practices by requiring proper itemization of amounts due, allowing the homeowner to evaluate and dispute erroneous charges before expensive litigation commences. Notice to homeowners of their right to cure the default up until the date of sheriff sale ensures that they have sufficient time to attempt to modify their loans or refinance out of the debt, rather than losing their homes. Meanwhile interest rate caps not only thwart unscrupulous lenders from bilking Pennsylvanians in the first place, but also prevent debts from spiraling out of control when homeowners face situations like temporary job loss.

But in the last decade, new financial products have emerged that did not exist when this body enacted Act 6. Recently, for example, we have noticed a major uptick in the origination of shared appreciation agreements. Documents recorded in county offices show that thousands of Pennsylvania homeowners have entered into these agreements over the past few years. These new products "carry features that echo some of the risky loan structures that were common in the lead up to the 2008 housing crisis."[1] The AARP calls them "risky, complex, and expensive" and says that they "lack core consumer protections, with some homeowners having lost over half their home equity upon repayment."[2] According to a recent study at the University of Washington, which interviewed over a dozen homeowners who entered into shared appreciation agreements, most interviewees were already experiencing financial difficulties when they entered into the contract.[3] The Consumer Financial Protection Bureau noted in a 2025 report that the median customer for these products is in their 50s,[4] which means that if they are not already seniors, they certainly will be when the balloons come due.

Although they utilize endless and complicated agreements to confuse consumers, shared appreciation agreements actually do something quite simple: they offer homeowners money up front in return for a share of the home's future value when the loan matures (often within ten years) or when the property is transferred. They try to get around mortgage protections by saying they are not really a loan and that no interest is due, but, in actuality, they put a lien on the home and are rigged against homeowners to provide big returns for the lenders. They could also force people to sell their homes at maturity – in as little as ten years - when the whole debt comes due in one balloon payment.

When a consumer borrows money against their home and puts the home up as collateral, such a transaction carries the same risks as other residential mortgage loans. In Pennsylvania,

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[1] *Issue Spotlight: Home Equity Contracts: Market Overview,* Consumer Financial Protection Bureau, Jan. 15, 2025, found at www.consumerfinance.gov/data-research/research-reports/issue-spotlight-home-equity-contracts-market-overview/.

[2] AARP Policy Book 2025-2026, found at https://policybook.aarp.org/policy-book/financial-services/credit-products-and-services/home-mortgage-lending.

[3] *Home Equity Sharing Agreements in Washington State*, University of Washington Evans School of Public Policy & Governance, July 2025 at 3, 41.

[4] *Issue Spotlight: Home Equity Contracts: Market Overview,* Consumer Financial Protection Bureau, Jan. 15, 2025 at Executive Summary.

residential mortgage loans are subject to the various fundamental protections afforded by Act 6 that I mentioned, including pre-foreclosure notice, a right to cure the default up until the date of sheriff sale, and interest rate caps. Residential mortgage lenders must file a foreclosure complaint in the Court of Common Pleas, obtain a judgment, and take the house to sheriff sale before the homeowner is divested of their ownership. Many judicial districts, including Philadelphia's, have diversion programs for foreclosures against owner occupied homes that bring homeowners, housing counselors, and attorneys together to explore alternatives to foreclosure before the lender can enter a default judgment.

Unfortunately, various lenders peddling shared appreciation agreements to Pennsylvania residents seek to bypass the judicial foreclosure process altogether. For example, the two most active throughout Pennsylvania, Point Digital Finance, Inc. and Hometap Equity Partners, have been originating loans in Philadelphia with provisions that purport to allow them to unilaterally declare when there has been a default, then act as power of attorney for the homeowner and conduct a sale of the home at a public auction—all without going through the state's judicial foreclosure process.

By amending Act 6's definition of residential mortgages to clarify that it includes shared appreciation agreements, the General Assembly can ensure that these lenders engage in the judicial foreclosure process, send Act 6's mandatory pre-foreclosure notices itemizing the alleged default, and respect the statewide right to cure the default. Such protections will help ensure that homeowners have sufficient time to refinance out of the shared appreciation balloon when it comes due, rather than be forced to sell their homes.

Without subjecting shared appreciation agreements to Act 6 protections, many who enter these agreements will be forced to sell their homes due to the sheer size of the balloon payment—a product of the outrageous interest rates sought by the industry. As noted above, shared appreciation agreement lenders are targeting older homeowners who likely will not have the income to support a refinance of a giant balloon at retirement age. In addition, since the overwhelming majority of HESAs are second mortgages, in most cases a refinance out of *two loans* will be necessary.

Exacerbating this problem, many homeowners will not see the 10-year balloon coming. Indeed, with advertising slogans like "no monthly payments,"[5] and "no interest,"[6] and where contracts begin with bold letters stating "This is Not a Loan," it should be no surprise that Pennsylvania homeowners will be broadsided when the balloon hits. A Hometap mortgage recorded in Philadelphia just last month omits any reference to the balloon until the second to last page, where it states in highly obtuse language "the option agreement is irrevocable by mortgagor and

[5] *See* www.point.com.

[6] *See* www.unison.com.

expires on 2/12/2036." Not surprisingly, one customer described being "bamboozled" by the lender in a publicly available CFPB complaint.[7]

That is why the Act 6 interest rate cap is so important. At the current cap of 7% set by the Department of Banking, an aging CLS client who took out a $44,000 loan with Point Digital in 2022 would owe over $61,000 by 2032. At the rates sought out by the industry of over 20%, the $44,000 loan would more than double to over $102,000 over the same time, eliminating any hope for a refinance. Without any limits on the interest rate, a forced sale would be all but a foregone conclusion.

We have heard from the industry's coalition that shared appreciation agreements do not have interest, but Act 6 defines interest rate in terms of "loan yield," or the total amount garnered by the loan over time. *See* 41 Pa. Stat. Ann. § 101, 301(d). There is simply no reason that shared appreciation agreements should be exempted from the same interest rate caps that have applied to other Pennsylvania mortgages for the past fifty years.

Thank you again for your thoughtful consideration of this bill. In sum, the General Assembly, in its wisdom, provided Pennsylvanian homeowners critical safeguards to save their homes when it enacted Act 6 in 1974. These safeguards have helped thousands of Pennsylvanians do just that. Today, with the advent of shared appreciation agreements targeting a homeowners' equity, which purport to be something other than a residential mortgage, Act 6 should be updated to respond. As the old adage says, if it looks like a duck, swims like a duck, and quacks like a duck, then it probably is a duck. Without applying Act 6's safeguards to these new products, I fear we will see a flood of forced sales and foreclosures in the coming years, which homeowners will be powerless to stop. We should strive to ensure that our usury law evolves to meet the needs of new and dangerous products as they arise on the market. That is exactly what this legislation does.

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[7] *Issue Spotlight: Home Equity Contracts: Market Overview,* Consumer Financial Protection Bureau, Jan. 15, 2025 (*citing* CFPB Complaint # 8471822 found at https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/8471822).

Testimony of Andrew Pizor
Senior Staff Attorney, National Consumer Law Center

Supporting HB 2120

Regarding Shared Appreciation Agreements

before the
Pennsylvania House of Representatives
Commerce Committee

March 4, 2026

1. Introduction

My name is Andrew Pizor. I am a Senior Attorney at the National Consumer Law Center (NCLC), a nonprofit organization that works to advance economic justice by advocating for strong consumer protections for low-income and vulnerable households through litigation, policy, and education. Thank you for the opportunity to testify on HB 2120.

We *STRONGLY* support this bill. HB 2120 is a critical first step toward protecting Pennsylvania homeowners from a predatory loan product that strips them of their equity. At the end of my testimony, I list additional protections that are needed to address specific problems.

Proponents of shared appreciation agreements (SAAs), also known as home equity investments, claim they are not loans and claim they are not subject to Pennsylvania's lending laws. HB 2120 clarifies that SAAs *are* in fact loans, and are subject to the laws governing residential mortgages.

Key Takeaways:

- SAAs are similar to the worst subprime mortgages of the last foreclosure crisis and target homeowners with low credit scores.
- They offer money upfront to "cash poor, equity rich" homeowners and require a large balloon payment based on the future value of the home. This often forces a sale and loss of the home.
- SAAs are asset-based lending, made without regard to the borrower's income or credit score.
- Advertisements for SAAs often deceptively claim they are not loans or debt.
- HB 2120 will prevent that deception and ensure that homeowners get the benefit of existing mortgage protections.

SAAs pose a significant risk to homeowners—especially seniors and lower-income homeowners. They are becoming increasingly common nationwide, especially in hot housing markets, and they are already available in Pennsylvania. Their marketing is deceptive and tempting for distressed borrowers. SAAs are very difficult for consumers to understand or compare with alternatives, and they have the potential to be extremely expensive.

The SAA industry claims their product is not a loan, debt, or credit, so they do not provide any of the disclosures mortgage borrowers normally get. This conceals the tremendous expense and risk of this product. In truth, they are loans and should be disclosed and regulated as such.

Four other states, Connecticut, Maine, Maryland, and Illinois, have already clarified that SAAs are mortgages.[1] While the industry has promoted legislation declaring the opposite, no state has adopted it.

2. Background: Why Shared Appreciation Agreements Are Loans

SAAs were created by sophisticated Wall Street investors for the purpose of giving them low-risk access to homeowner equity. But the risk to the homeowner is unreasonably high.

SAAs offer homeowners money up front in return for a share of the home's future value. SAA borrowers are usually not required to make any payments to the company until the earlier of a maturity date specified in the contract or when they sell or try to refinance. Then they must make a balloon payment calculated as a percentage of the home's value. If they cannot pay, they are forced to sell their home or face foreclosure. Most SAAs today are offered to existing homeowners looking to cash-out the equity in their homes. Normally, such homeowners would seek a traditional home equity loan or reverse mortgage. But SAAs are marketed to those who are house-rich but cash poor, with low credit scores, who may not qualify for an affordable traditional loan or may be enticed by the promise of no monthly loan payments, failing to fully understand that they will have to pay a huge lump sum at the end of the loan.

SAAs are confusing and complex. Most are crafted to look like option contracts where the company claims to buy an option to purchase a share of the consumer's house in the future. Companies point out that if they never exercise the option, the consumer will not owe anything on the contract. Based on this premise, the company claims it is not making a loan—just buying an option. But, in reality, the company almost always exercises the "option."

When the company exercises the option, the homeowner must put the house up for sale (if the homeowner has not already done so) or buy the company's share back. By this time, the company's share will typically be worth far more than what the homeowner originally received for it—typically tens or hundreds of thousands of dollars more. This substantially reduces the homeowner's share of the equity in their own home.

Example:

- A house in Harrisburg is worth **$400,000**.

[1] Conn. Gen. Stat. Ann. § 36a-485(27) ("'Residential mortgage loan' means any loan, including a shared appreciation agreement, primarily for personal, family or household use that is secured by a mortgage, deed of trust or other equivalent consensual security interest on a dwelling or residential real estate upon which is constructed or intended to be constructed a dwelling"); Conn. Gen. Stat. Ann. § 36a-485(30) (defining "Shared appreciation agreement"); Ill. Gen. Assembly, Public Act 103-1015, § 5 (eff. Jan. 1, 2025) (amending 205 ILCS 635/1-4(f)) ("'Mortgage loan', 'residential mortgage loan', or 'home mortgage loan' includes a loan in which funds are advanced through a shared appreciation agreement."); id. (amending 205 ILCS 635/1-4(ccc) to define "Shared appreciation agreement"); Maine Department of Professional & Financial Regulation, Bureau of Consumer Credit Protection, Advisory Ruling 122 (Oct. 29, 2025) (Advisory ruling defining "shared appreciation mortgage" products as "credit"); Md. Code Ann., Fin. Inst. § 11-501(m)(2) (""Mortgage loan" includes a loan in which funds are advanced through a shared appreciation agreement."); Md. Code Ann., Fin. Inst. § 11-501(r) (defining "Shared appreciation agreement").

- The owner signs an SAA, receives **$60,000** upfront, and promises to pay **25%** of the home's future value.
- Ten years later, the home is worth **$700,000**. The SAA company exercises its option.
- The company's 25% share is now worth **$175,000**. To keep the home, the homeowner must pay $175,000.
    - That's an **11.3% APR** (a 15 year prime rate mortgages is currently under 6%).[2]
- The only realistic way for the homeowner to pay that lump sum of money is to sell the house and that amount is taken off the top from the sale proceeds.

Companies often advertise that the transaction is not a loan and that the homeowner will not owe anything if the home loses value. But companies use sophisticated models to predict home values and securitization to insulate themselves from bearing any risk. **In practice, these companies will almost always get repaid.**

For example, Unison, one of the first and largest SAA companies, has described itself as an "institutional investment management firm,"[3] with sophisticated "model, systems, and processes [it] build[s] to make investments,"[4] including "a 10-year forecast on every house in America."[5] Unison uses a "very sophisticated data infrastructure and pricing structure" to "turn[] a house into a security" in order to "build[] nationwide portfolios for the benefit of the institutional investor."[6] In its marketing to investors, Unison leads investors to believe that its products have an unlimited upside and almost no downside, with "low volatility and high risk-adjusted net returns compared to other major asset classes,"[7] including traditional home-secured loans.

Foreclosures on SAAs are rare,[8] and no greater than traditional mortgage loans. However, this statistic is deceptive given that SAAs have not been active for very long, and many have not yet arrived at a triggering event requiring repayment. Regardless, investors will be well protected while homeowners lose out. According to a report commissioned by the Washington State legislature, Washington's Department of Financial Institutions found "that the average loss rate for SAA providers is no greater than the loss rate for traditional mortgage lenders."[9]

One of the reasons SAAs pose a risk to homeownership is that SAA lenders do not underwrite for ability to repay. Instead of ensuring that the borrower has enough income to repay the debt, they count on the value of the property as the source of repayment.[10] So, if the borrower

[2] Freddie Mac, https://www.freddiemac.com/pmms (as of Feb. 23, 2026).
[3] Podcast Transcription Session No. 103 – Thomas Sponholtz & Jim Riccitelli, https://www.fintechnexus.com/wp-content/uploads/2022/09/Podcast-103-Unison-Founders.pdf (last visited June 13, 2024).
[4] Unison IM, https://www.unisonim.com/ (last visited June 7, 2024).
[5] Podcast Transcription Session No. 103 – Thomas Sponholtz & Jim Riccitelli, https://www.fintechnexus.com/wp-content/uploads/2022/09/Podcast-103-Unison-Founders.pdf (last visited June 13, 2024).
[6] *Id.*
[7] Unison IM, https://www.unisonim.com/about-us (last visited June 7, 2024).
[8] According to the Wash. State Dep't of Fin. Institutions, only one of the companies contacted reported ever foreclosing on a property. Wash. State Dep't of Fin. Institutions, Home Equity Sharing Agreement Inquiry Report at 20 (Sept. 12, 2024).
[9] Wash. State Dep't of Fin. Institutions, Home Equity Sharing Agreement Inquiry Report at 20 (Sept. 12, 2024).
[10] *See* Morningstar DBRS, Rating and Monitoring U.S. Reverse Mortgage Securitizations at 24 (July 2023) ("Like reverse mortgage loans, the HEI underwriting approach is asset-based, meaning there is greater emphasis placed on the value of the underlying property than on the credit quality of the

ultimately cannot repay from their savings or by refinancing with a traditional mortgage, they will lose their home. SAAs are an example of asset-based lending—a high risk form of lending that is disfavored in the residential context and that has contributed to multiple foreclosure crises.[11]

In practice, SAAs function very much like subprime mortgages with tremendous balloon payments. The consequences for consumers are the same too. If they are able to pay through the sale of their home, they will lose a massive amount of equity. And if they cannot pay, they will lose their home to foreclosure. In fact, the payment structure for the typical SAA makes it highly likely that most borrowers will be forced to sell their home to make the payment due and then be left with a fraction of their equity to downsize or move into assisted living.

3. Shared appreciation agreements don't build wealth—they take it.

Homeownership in America is one of the best ways to build family wealth—to save for retirement, or to pass wealth along to the next generation. But an SAA will take away a big chunk of that savings. We have heard from elderly homeowners who cannot afford to move because the payment on their SAA would leave them too little to pay for assisted living; and others who were unable to refinance to a lower-rate traditional loan because their home had appreciated so much that the SAA payment was unaffordable.

The SAA industry claims their product is not a loan, or not debt, but the truth is that they are selling high-cost, subprime loans. In a traditional "forward" mortgage loan, a lender provides the homeowner cash up front, and the homeowner agrees to repay it in predictable installments, no matter what happens to the value of the home. Even with adjustable-rate mortgages, the payments are relatively predictable. If the homeowner defaults, the lender can foreclose. Reverse mortgages also provide the homeowner with money upfront, but no payment is due on the loan until the homeowner ceases to live in the house. Forward and reverse mortgages are subject to extensive state and federal regulation to protect consumers. They also focus on keeping the homeowner in the home and do not create a situation where they will actually have to sell the home and move out.

High-cost forward mortgage and FHA reverse mortgage borrowers must undergo HUD-approved counseling before closing.[12] Most importantly, reverse mortgage borrowers have the right to stay in their homes until they die or move permanently to a healthcare facility, as long as they remain current on their property insurance and taxes. SAAs offer much less security, as a repayment obligation may be triggered by a number of possible events including failure to maintain the property in a certain way or renting out part of the property.

4. Vote "Yes" on HB 2120 to protect Pennsylvania homeowners.

Clarifying that SAAs are residential mortgage loans is a vital first step toward protecting Pennsylvania. More will be required, however, to prevent common, abusive practices. We recommend measures including:

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homeowner. The property value is the main focus for predicting repayment because it is the primary source of funds to satisfy the obligation.")

[11] *See generally*, OCC, Comptroller's Handbook, Asset-Based Lending (Jan. 27, 2017), available at https://www.occ.treas.gov/publications-and-resources/publications/comptrollers-handbook/files/asset-based-lending/pub-ch-asset-based-lending.pdf.

[12] 15 U.S.C. § 1639(u); 12 U.S.C. § 1715z-20(d)(2)(B).

- a cap on the maximum amount a homeowner can be required to pay under an SAA;
- mandatory disclosure of the maximum payment amount;
- prohibit lenders from closing on an SAA until the borrower gets housing counseling on the loan terms and alternatives from an independent, HUD-certified housing counselor; and
- uniform disclosure of all the important terms and conditions, consistent with federal RESPA and TILA mortgage laws

We have more recommendations and details on our website.[13]

Homeownership is important because it gives families a chance to build wealth. But it is most important because it provides a safe place to live. SAAs, in the absence of the common-sense requirements in this bill, put all of that at risk.

Thank you for your time.
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[13] https://www.nclc.org/topic/home-equity-investment-loans/.

Testimony Concerning HB 2120 of David L. Friend

Commonwealth of Pennsylvania House of Representatives
Hearing of the House Commerce Committee, March 4, 2026

Shared appreciation mortgage companies are proliferating, introducing new products that attract consumers by foregoing monthly payments - leaving repayment to be accomplished after a specific term of years or upon the time when the home no longer is their primary residence.

These types of arrangements are not new - governments and local housing authorities have been using them for decades for various purposes, such as for down payment assistance. Notably, these programs usually contained limitations on the amount of any repayment, either through caps or satisfaction of a contingency, such as residing in the home for more than 5 years.

There have been other shared appreciation mortgages originated by private entities over the years since World War II. I am most familiar with *sharia*-compliant financing structures in the U.S. - which can be a complicated process involving LLCs and other single-purpose entities to provide financing for home purchases that comply with various religious requirements of the Islamic-American community. These have been generally considered credit for purposes of the federal Truth-in-Lending Act, and are subject to its disclosure provisions and underwriting requirements.

I have reviewed several examples of shared appreciation mortgages that are being offered by relatively new companies originating shared appreciation mortgages, which I will refer to as home equity sharing arrangements (HESA) (which can also be known as home equity agreements, home equity investments, shared equity agreements, or a home equity partnership). These are for-profit companies that provide money to consumers in exchange for an agreement to pay a sum equivalent to a share of the total value of the home, calculated either with the use of an appraiser at the end of a defined term or based on the sale price in an arms-length transaction.

I have had a chance to review several examples of shared appreciation mortgages being offered by providers in this last category. My reviews were either while I was working at the Consumer Financial Protection Bureau (CFPB), or in my current practice.

Overall Nature of the Terms of a HESA

HESAs operate in a hybrid nature - they are structured to avoid operating as a loan while ensuring that the amount provided to the consumer will result in a return to the company that exceeds the extent of the amount provided to the consumer, while also avoiding risks associated with fractional land ownership though the use of options or rights to purchase a fractional share at the end of the agreements' term or the home's transfer of ownership.

While similar, each company's provisions can deviate significantly, and can include terms that are prohibited for federally-related mortgages. Examples include mandatory arbitration provisions,[1] unfettered discretion in the determination of the value of the property based on appraisals or automated valuation models (sometimes referred to as AVMs),[2] and prohibiting specific transfers (such as due to an order of divorce, placing the home a revocable trust for estate planning purposes, successors in interest due to death) that are prohibited from triggering a due on sale clause for federally-related mortgages.[3]

Examples of Returns on HESAs

Most relevant to HB 2120, the returns on shared appreciation mortgages can be breathtaking. In general, the calculation of the return from the amount provided to the consumer is based on a percentage of the ending value of the property. This amount typically does not correlate to the percentage value of the amount provided as a function of the current value of the home.

As an example, assume the present value of a home is $400,000 - established by an appraisal of the property. If the home equity mortgage company (HEMC) provides an amount of $55,00 to the consumer - this amount, whether "borrowed" or "invested," represents about 13.75% of the current value of the property. When the term of the

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[1] 15 U.S.C. § 1639c(e).

[2] 15 U.S.C. § 1639e; 12 CFR 1026.42.

[3] See 12 U.S.C. § 1701j-3.

HESA ends, the HEMC will receive 21.5% of the home's value - whether determined by an arms-length sale or through the termination of the agreement.[4]

Since the total amount will not be known until the end of the agreement, the total amount due can vary - which varies the amount of return (the amount in excess of the amount provided to the consumer at the beginning). I have calculated these amounts for a home that appreciates at 1% per year for each year of a 10 year term, and determined the amount of return of each year, based on these amounts, as follows:

Year	Ending Value	HEMC Share	Return	Return as % of Amt. Provided
1	$ 404,000	$ 86,860	$ 31,860	57.93%
2	$ 408,040	$ 87,729	$ 32,729	59.51%
3	$ 412,120	$ 88,606	$ 33,606	61.1%
4	$ 416,241	$ 89,492	$ 34,492	62.71%
5	$ 420,403	$ 90,387	$ 35,387	64.34%
6	$ 424,607	$ 91,291	$ 36,291	65.98%
7	$ 428,853	$ 92,203	$ 37,203	67.64%
8	$ 433,142	$ 93,126	$ 38,126	69.32%
9	$ 437,473	$ 94,057	$ 39,057	71.01%
10	$ 441,848	$ 94,997	$ 39,997	72.72%

[4] Methodology: The example was derived from a review of a HESA with a home with a differing present value and amount provided to the consumer. The example keeps the HEMC share and the amount provided to the consumer as a percentage of the present amount the same. The percentages of these respective amounts were used to change this example's amount provided to the consumer and HEMC share. However, the example does not account for any pricing that varies based on the amount provided to the consumer or the present vale of the property due to other factors, such as credit score, property location, or other variables that are used by HEMCs. The intent is to show how the HESA calculates the HEMC share to be paid at the termination of the HESA, and a comparison of these amounts to a 10 year fixed rate mortgage to approximate an equivalent interest rate. I have not discovered any publicly available details on the pricing structure of HESAs other than specific examples.

These amounts, however also change depending on the amount of appreciation in the value of the home. When adjusting calculations for differing average annual appreciation over 10 years, the values at the end of the HESA agreement's term would be as follows:

Annual Appreciation	Ending Value	HEMC Share	Return	Return as % of Amt. Provided
1%	$ 441,848	$ 94,997	$ 39,997	72.72%
2%	$ 487,597	$ 104,833	$ 49,833	90.61%
3%	$ 537,567	$ 115,577	$ 60,577	110.14%
4%	$ 592,098	$ 127,301	$ 72,301	131.46%
5%	$ 651,559	$ 140,085	$ 85,085	154.7%

Even when a home depreciates in value by 1% per year, the HEMC will still receive a return in addition to a return of the amount provided:

Year	Ending Value	HEMC Share	Return	Return as % of Amt. Provided
1	$ 396,000	$ 85,140	$ 30,140	54.8%
2	$ 392,040	$ 84,289	$ 29,289	53.25%
3	$ 388,120	$ 83,446	$ 28,446	51.72%
4	$ 384,239	$ 82,611	$ 27,611	50.2%
5	$ 380,397	$ 81,785	$ 26,785	48.7%
6	$ 376,593	$ 80,967	$ 25,967	47.21%
7	$ 372,827	$ 80,158	$ 25,158	45.74%
8	$ 369,099	$ 79,356	$ 24,356	44.28%
9	$ 365,408	$ 78,563	$ 23,563	42.84%
10	$ 361,754	$ 77,777	$ 22,777	41.41%

Comparison to a 10 year Fixed Rate Mortgage

The return as a percentage of the amount provided can be used to compare the HESA to a federally-related mortgage, equivalent to the amount of interest that would accrue on a 10 year fixed-rate mortgage in the same scenario.

Calculating an amortization schedule using the return on a HESA as an equivalent to the total interest that would accrue on 10 year fixed-rate loan provides an approximation of the interest rate that would be charged for each amount of home appreciation over the term of the HESA.

Annual Appreciation	HEMC Share	Return	Return as %	Mortgage Interest	Equivalent Interest Rate
-1%	$ 77,777	$ 22,777	41.41%	$ 22,773	7.334%
1%	$ 94,997	$ 39,997	72.72%	$ 39,996	12.08%
2%	$ 104,833	$ 49,833	90.61%	$ 49,830	14.59%
3%	$ 115,577	$ 60,577	110.14%	$ 60,574	17.207%
4%	$ 127,310	$ 72,310	131.47%	$ 72,308	19.945%
5%	$ 140,085	$ 85,085	154.7%	$ 85,083	22.811%

For context, a 10 year fixed rate mortgage for $55,000 can be obtained in Pennsylvania at interest rates of 4.99% and 5.375%. For these loans, the total of mortgage interest would be $14,971 and $16,219, respectively.[5]

Conclusion

As shown above, HESAs can result in considerable amounts due from the consumer at the time the agreement is terminated. These amounts will always be sufficient to repay the amount provided to the consumer, plus some additional amount even when the home has marginally depreciated in value. These amounts can provide returns noticeably higher than an equivalent 10 year fixed rate mortgage.

Unlike with purchases of equity in the property, the difference between the share due at termination and the percentage of the present value of the amount provided have provided results that have been controversial. Shared appreciation mortgages were originated in the U.K. in the late 1990's, mostly to retirees. There, the amount provided

[5] Per a search at bankrate.com on February 23, 2026, the numbers are based on a refinance mortgage of $55,000 on a property valued at $400,000 located in zip code 19120 for a borrower with a credit score above 740.

to consumers represented 25% of the value of the home, while the amount due at termination represented 75% of the amount the home appreciated.[6]

Accordingly, some level of consumer protection is warranted. Provisions like HB 2120 are needed for consumer protection to provide basic licensure and a cap for the total return that HEMCs can realize from increases in rapidly appreciating homes. Other consumer protections, such as properly designed and timed disclosures and informational products, can also help provide information and education to consumers to address concerns related to information asymmetry and information overload.

Mortgages are a relatively more straightforward product in comparison to HESAs. Over decades, statutes have been passed and regulations promulgated to address specific concerns and issues related to the features of mortgages and the practices of industry during the origination and servicing of residential mortgage products. HESAs may differ in their methodology to calculate repayment, and the events that trigger that repayment, but the lessons from experiences with decades of residential mortgage origination and servicing: information asymmetry, information overload, licensure, and deceptive trade practices have resulted in statutes enacted and regulations promulgated to address these concerns. HESAs should not be not unregulated simply because HESAs have a novel method to calculate the amount due from the consumer.

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[6] Amy Phillips, "Shared appreciation mortgages: The 1990s deals that became a nightmare," BBC, October 23, 2023. (https://www.bbc.com/news/uk-england-nottinghamshire-67122324, last visited Feb. 25, 2026.

CONSUMER **POLICY**
CENTER

February 23, 2026

Pennsylvania House Commerce Committee
Room 523, Irvis Office Building
Harrisburg, PA 17120

Re: Support of HB 2120 to amend the PA Usury Law to include Shared Equity Agreements as a mortgage product.

To The PA House Commerce Committee

My name is Wendy Gilch. I am a Pennsylvania resident, a Fellow at the Consumer Policy Center, and the founder of Selling Later, where I work as a consumer educator specializing in real estate issues. I have spent the past seven years researching the real estate industry and its financial impact on consumers, translating the complexity of that industry into plain language so homeowners can truly understand what they are getting into before making a major financial decision. That work brought me directly to Shared Appreciation Agreements (also known as HEI's, HEA's, and HESA's) last year. Specifically, how they are marketed to residents, who they target, their trust costs, and what happens to PA homeowners who sign them.

I am here to support HB 2120, which is an amendment to Pennsylvania's Loan Interest and Protection Law, the same usury statute that has governed mortgage lending in this Commonwealth since 1974. That law sets limits on what lenders can charge homeowners who borrow against their homes. HB 2120 would extend those same protections to Shared Appreciation Agreements, contracts in which a company gives a homeowner a lump sum of cash today in exchange for a share of the home's future value, secured by a lien on the property. These companies currently argue that their products are not loans, and because of that argument, they operate entirely outside the consumer protections that apply to every other product secured by a Pennsylvania home. HB 2120 closes that gap.

What Homeowners Were Told vs What They Actually Signed

Home Equity Investment companies give homeowners a lump sum, often $50,000 to $100,000, in exchange for an increased share of the home's future value, collected as a single balloon payment when the home is sold, refinanced, or when the agreement's ten - to - thirty year term expires.

These companies describe their agreements as financial partnerships, yet they share none of the costs that come with owning a home. No property taxes, no maintenance, no insurance, and no mortgage payments. The homeowner carries every obligation of ownership for years, while the company waits. Then, at the end of that term, the partner arrives, to collect a share of the home's appreciated value through an unregulated balloon payment on a product that was advertised to the consumer as a no-debt solution.

Because these companies have successfully avoided classification as offering a loan product, none of Pennsylvania's mortgage advertising disclosure requirements apply to how they market these products. Compare that to a Home Equity Line of Credit (HELOC), which is the most common loan option for homeowners to tap into their equity. A lender running an ad similar to what I have seen as a PA resident online, is legally required under Regulation Z to disclose the full APR and all costs, right in the advertisement, and critically, even stating "no monthly payments" or "no interest" or "no fees" triggers that same mandatory disclosure. Saying something costs nothing is a trigger term. A Shared Appreciation Agreement company can run that same ad and is required to disclose absolutely nothing, because they are not classified as a loan. The ads run on TikTok, Facebook, YouTube pre-rolls, and in mailers, and none of them are required to tell the consumer what the product actually costs.

One company currently advertising in this space promotes its product by advertising that there is essentially no cost to them, **that it is the buyer who pays the company at closing, not the seller and claiming "the seller never pays!"** The implication is that the homeowner walks away with cash and faces no financial obligation whatsoever. In reality, that "cost" comes directly out of the homeowner's equity, equity they spent years or even decades building.

What those ads never explain is the math. Home Equity Agreements tend to be the most expensive financing option when utilizing home equity. Consider a real example taken directly from an actual closing disclosure used by one of these companies: a homeowner receives $50,000, but after origination fees and closing costs deducted upfront, they walk away with just $46,125. If their home appreciates at a modest 4% per year over ten years, they will owe $133,200 at settlement. A traditional Home Equity Line of Credit (HELOC) on the same $50,000 at current rates would carry a total obligation of roughly $85,000 over that same ten years, nearly $50,000 less, and the homeowner retains full ownership of their equity.

What makes this particularly troubling is who these companies are marketing to. Some of their advertisements explicitly promote that credit scores are not a barrier, positioning these products as a lifeline for homeowners who cannot qualify for a HELOC. But consider what that means in practice: if a consumer cannot qualify for a regulated product at 7%, these companies will offer them an unregulated one that, by their own disclosure, can carry an annualized cost limit of 19.9%. That is a credit card rate, secured by someone's home.

Perhaps most striking is what happens even when the home loses value. That same disclosure shows that if a home depreciates 2% per year for ten years, the company still earns a 3.9% annualized return. The homeowner's home is worth less, yet the company still profits, and that figure does not include the thousands of dollars in closing costs already extracted from the consumer on day one, the risk assessment that was applied, nor the fees charged to sell (especially if they utilize the recommended "broker" to find them a listing agent).

Self-Regulation Has Failed And Pennsylvania Already Learned This Lesson

The industry argues that its own 9-page, custom disclosure forms are adequate consumer protection. It is not, and this Committee does not need to look far for proof.

Pennsylvania already has a cautionary example. Governor Shapiro, as Attorney General, called MV Realty *"calculated deception"* targeting *"Pennsylvanians in vulnerable financial situations."* Their pitch: *"because it's not a loan, there is NO repayment"* and *"you NEVER repay these funds."* More than 1,000 liens were recorded on Pennsylvania properties before the state could act. Florida beat Pennsylvania to judgment and will likely recover $3 million of an $18 million verdict. Florida and Georgia won court orders clearing their homeowners' liens, but Pennsylvania has not. Those homeowners may still be bound today to a contract a Florida court called unconscionable.

That sales pitch is alive and well. Hometap, one of the largest companies operating in Pennsylvania today, told a national publication in its own Q&A just three years ago that its product has *"no interest and no monthly payments"* and provides *"debt-free cash,"* and that *"closing costs are deducted from the homeowner's investment total, so there are no out-of-pocket expenses."* In that same interview, Hometap confirmed its cap on annual return is **20%**. For context, Pennsylvania's usury law caps residential mortgage lenders at roughly 6.7%. Hometap's self-imposed cap is triple that. A rate no regulated lender in this Commonwealth is permitted to charge.

Self-regulation is what landed PA residents in the MV Realty trap. Self-regulation today means a 20% annual return cap set by the company itself, buried in 9-page disclosure, just one page less than what MV realty presented to homeowners.

The Securitization Problem: Why Self-Regulation Will Never Work

There is a structural reason why the industry cannot be trusted to self-regulate the true cost of these products: they have already been paid.

Within months of origination, some HEI contracts are bundled and sold on the secondary market to institutional investors. In the first ten months of 2024 alone, the four largest HEI companies securitized $1.1 billion backed by approximately 11,000 contracts. The originating company collects its fees and exits. The ongoing obligation, the balloon payment that may devastate the homeowner in year nine, belongs to a Wall Street investor, not to the company that wrote the contract, built the app, and ran the TikTok ad.

Originators who earn fees at closing and immediately sell the product to investors have every reason to maximize origination volume and no reason to worry about what happens when the contract comes due. Asking that industry to voluntarily disclose costs accurately is asking them to reduce their own market.

The Crisis Already Built And Still Growing

The Washington State Department of Financial Institutions commissioned one of the most thorough government studies of HEI products conducted anywhere in the country. The findings are a warning for Pennsylvania.

HEI originations in Washington grew from fewer than 100 in 2017 to over 3,000 in a single year by 2024, a thirty-five-fold increase in seven years. Of all those thousands of contracts, only approximately 650 had ever been settled or terminated. The vast majority remain open, still accumulating the company's share of appreciation. On the contracts that have settled, uncapped agreements yielded annualized returns to the companies of 25% to 200%. Did the homeowners on the other side of those returns know that was possible when they signed?

Pennsylvania has no equivalent study because these companies have never been required to report to any state regulator here. But the contracts are being signed, the ads are running, and the homeowners who responded in 2019, 2021, and 2022 are within three to six years of discovering what they actually agreed to.

Many of them believe right now that they made a smart financial decision. That belief is not an accident, it is the product of the most psychologically painless financial obligation ever designed. They never wrote a check, they never opened a bill, and they never had a monthly payment appear on a bank statement as a reminder of what they owe. There is no envelope, no due date, no dollar amount that arrives each month to make the cost feel real. The debt is invisible, right up until the moment it isn't.

They tapped their equity, they have no monthly payment, and they feel fine. They will not feel fine when they try to sell, attempt to refinance, or reach the end of their term, and discover that a six-figure balloon payment now stands between them and their home. Worse yet, that the "buyer" isn't actually paying the company back, the homeowner is.

Conclusion

HB 2120 does not ban these products. It requires that they operate honestly, that costs be disclosed, that rates be capped at a level that reflects the security of the collateral, and that homeowners have the same rights they have under every other product that places a lien on their home.

Its advertising, running today without a single required cost disclosure, tells Pennsylvania homeowners that this product costs them nothing. The reality is that it costs them greatly, likely their home.

Pennsylvania should not wait for that lesson to play out like we did with MV Realty. The time to act is now, while the contracts are still open and the majority of balloon payments have not yet arrived.

Respectfully Submitted,

Wendy Gilch
Fellow at the Consumer Policy Center
PA Resident