National Consumer Law Center

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Susan Ochs
Acting Commissioner
NJ Department of Banking and Insurance
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Dear Commissioner Ochs:

We are writing to bring to your attention the growing risks associated with Home Equity Investment (HEI) loans currently being marketed to homeowners in New Jersey. While these instruments are often framed as 'debt-free' alternatives to traditional loans, we are deeply concerned that their complex terms and current lack of oversight pose a significant threat to the hard-earned equity of homeowners.

The National Consumer Law Center (NCLC) is a non-profit advocacy organization that uses legal expertise and policy analysis to protect the economic security of low-income and other low-income and other economically disadvantaged people. We have been actively working on legislation, education, and litigation regarding HEI loans for the past year and have come to understand the risks they pose to cash-poor homeowners with significant equity, particularly those with poor credit and older adults.

HEI lenders provide an upfront cash payment in exchange for a percentage share of the home's future value or appreciation, typically requiring no monthly payments but resulting in a significant balloon payment when the house is sold or the loan term ends. The primary risk of HEI loans lie in their potential to exponentially deplete a homeowner's wealth. The lack of standard rate caps and the use of "equity multipliers" ensure that homeowners pay back much more than they would with a standard loan.

Recently, the Urban Institute issued a severely limited report regarding HEI loans. Industry groups like the Coalition for Home Equity Partnership ("CHEP," which include Hometap, Point, and Unlock) are currently using the report to lobby against regulation in different states. Last week, the Urban Institute added an "Author's Note" to the Report acknowledging that the authors analyzed a limited dataset provided by CHEP and that they did not look at the long-term consequences to homeowners, including harms associated with repayment at the end of the loan. They explained that they did not intend to address the legal or regulatory status of HEI loans.

NCLC detailed the significant limitations of the report, including its failure to address the serious financial cost of these HEI loans to homeowners and overreliance on limited industry data absent independent data validation and verification. Among the serious risks of these products to homeowners are the following:

- **HEI Loans Are Mortgage Loans, Not Investments:** Even though the HEI loan industry claims they are not loans and cannot be cleanly regulated under existing mortgage loan frameworks, they act just like loans and should be treated that way.
    - **Current legal trend**: The current legislative and legal landscape has shifted decisively toward classifying HEIs as loans, stripping away the industry's "investment" branding to expose them to consumer protection laws.
    - **Rules Already Exist:** Existing regulations for mortgage loans apply to protect homeowners from these products.
- **Huge Final Payments:** Homeowners are often hit with a giant "balloon payment" at the end of the loan that is much larger than what they originally borrowed. The Report fails to discuss what actually happens to homeowners when the loan becomes due, including the very real and high risk of losing their home to cover a massive payment they can't afford.
- **Low Credit Scores**: HEI loans are marketed to homeowners with low credit scores who may have trouble qualifying for a traditional loan, making it highly unlikely they would be able to refinance when the HEI loan comes due.
- **Nowhere to Go:** After the lender takes its large share of equity, the homeowner often will not have enough money to buy a new place to live or move into assisted living.
- **Losing Control:** These loans interfere with the basic rights of homeownership and limit what an owner can actually do with their property by including strict occupancy and usage rules and maintenance requirements.
- **No Help in Hard Times:** Unlike a traditional mortgage, these lenders usually don't offer any help or "grace periods" if a homeowner loses their job or gets sick.
- **Blocked from Judicial Relief:** The loans often make it very hard for a homeowner to take the company to court if they've been treated unfairly because the contracts contain forced arbitration clauses--which would be forbidden by federal law if this product is properly recognized as a mortgage loan.
- **Family Problems:** These loans offer no protection for heirs, or surviving spouses, forcing them to sell the home immediately after the owner passes away, unlike policies for traditional loans.
- **Too Confusing:** The 70-plus page contracts are so complicated and full of "fine print" that most people can't truly understand what they are signing.
- **Misleading Ads:** The companies use misleading ads to make these look like "debt-free cash" or a "partnership" with "no monthly payments or interest" when they are actually very expensive, high-cost loans.

State regulators and legislators have been actively increasing their oversight of HEI loans. **Maine** and **Colorado** have issued regulatory guidance.

- Maine: #122, Advisory Ruling: "Shared appreciation mortgage products as credit" (Me. Bureau of Consumer Credit Protection, Oct. 2025): Defines "shared appreciation mortgage" products as "credit" and defines "shared appreciation mortgage product providers" as "supervised lenders" subject to the Maine Consumer Credit Code, and other applicable State of Maine law.
- Colorado: Position Statement – MLO 2.0 – License Requirements for Originating Home Equity Contracts (Adopted January 21, 2026)): Clarifying the home equity contracts fall within the definition of a residential mortgage loan and require Colorado licensure for origination

Other states have passed laws clarifying that HEI loans are mortgage loans:

- Connecticut: Conn. Gen. Stat. Ann. § 36a-485(27), (30);
- Illinois: 205 ILCS 635/1-4(f), (ccc);
- Maryland: Md. Code Ann., Fin. Inst. § 11-501(m)(2), (r)

Pennsylvania and Massachusetts have bills pending, Maine's comprehensive bill (final version attached) just passed the House and Senate, and Connecticut has a similar pending bill that is more comprehensive than their current statute.

HEI loans strip wealth away from families and communities. While marketed as "option contracts," HEI loans are expensive, home-secured mortgages that can and should be regulated under current lending laws to provide homeowners the same protections as traditional mortgages. Payoff amounts far exceed the original loan amount, especially as rising home values increase the value of the investor's share at the owner's expense. Because of these excessive amounts that become due, homeowners are eventually forced to sell their homes just to pay back the investor, and then are left with substantially fewer funds than expected to cover the next home.

By treating HEIs as the loans they truly are, you can protect New Jersey families from the risk of total home loss and lost home equity and ensure that HEI lenders follow the same rules as every other lender. We would welcome the opportunity to speak with you about this issue. Please feel free to reach out anytime.

Thank you for your consideration.

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