COALITION FOR HOME EQUITY PARTNERSHIP

May 14, 2025

**RE: LD 1901 – An Act to Regulate Shared Appreciation Agreements Relating to Residential Property**

Dear Members of the Committee on Health Coverage, Insurance and Financial Services,

On behalf of the Coalition for Home Equity Partnership (CHEP), I write to respectfully express our strong opposition to Legislative Document 1901 / House Paper 1272 (LD 1901) as currently drafted. CHEP was founded in 2024 by three leading national financial services companies[1] - Hometap Equity Partners LLC, Point Digital Finance, Inc., and Unlock Technologies, Inc. – dedicated to providing homeowners with innovative home-finance solutions. These comparatively new products are known as several different terms in the marketplace: "shared equity products," as termed by our coalition, or otherwise referred to as "home equity sharing agreements" or "shared appreciation agreements" (SAAs). Though all are the same, for the purposes of this testimony and to align with the existing language in Maine, we will refer to them as SAAs.

We fully support the Committee's desire to protect Maine consumers and to ensure that innovative financial products like SAAs are offered responsibly. However, LD 1901 imposes severe and unprecedented restrictions that would, if enacted, effectively eliminate the ability to offer SAAs in the state. We believe there is a better path forward—one that promotes both consumer protection and access to responsible equity-based financing. We urge the Committee to defer action on LD 1901 and commit instead to a collaborative process to develop a workable regulatory framework.

## What Are SAAs?

SAAs are not mortgage loans. They are equity-based products that enable homeowners to access the equity they have built in their most valuable asset — their home — without taking on debt. The most common use cases for SAAs are to pay off debt, improve a home, or fund a business.

Homeowners receive a lump sum of cash in exchange for a share of their home's future equity or appreciation. SAAs do not require monthly payments and have more flexible eligibility criteria as compared to mortgage loans.

[1] *CHEP members currently operate in 26 states, but not yet in Maine.*

**Who Utilizes SAAs? Why?**

A socially and economically diverse group of homeowners qualify for SAAs, as they are evaluated based on the investment in the property rather than the consumer's ability to make recurring payments. This makes SAAs accessible to a broader range of homeowners, including consumers with less-than-perfect credit, small business owners, retirees, and those without steady income.

This accessibility is vital in today's home finance marketplace, which has become increasingly constrained and unaffordable for many. While the value of properties has consistently risen over the past decade, the financial health of many homeowners has not. Numerous studies and surveys show that a significant number of American households are financially vulnerable. For example:

- A 2022 Federal Reserve study found many adults may not withstand even small financial disruptions. More than 30% of adults reported difficulty covering an unexpected $400 expense.
- A 2024-25 Bankrate survey found that a majority of American households do not have the financial wherewithal to cover a $1,000 emergency expense.
- More than 47 million Americans fall under the "subprime" category for credit scores, limiting their access or increasing their costs for some forms of traditional loan or credit products.

SAAs offer a solution to a wide array of consumer needs. The most common reason our customers choose SAAs is to pay off high-interest debts. By doing so, they can simplify their finances, reduce overall debt service, and achieve better financial stability. Another popular use case is for home improvements. A homeowner that worked with a CHEP member used the received cash to renovate the kitchen, bathrooms, and yard, all while paying off some debt and improving his credit score. A different homeowner used the equity to pay off medical and credit card debt that he and his wife found themselves in after losing his job during the COVID-19 pandemic.

Additionally, many of our customers use SAAs to fund small business ventures, providing the capital needed to start or expand a business without the burden of monthly loan payments, thereby fostering entrepreneurial growth and financial independence.

Other use cases have included funding their children's education, covering medical expenses, or supplementing retirement income. By tapping into their earned equity, SAAs have empowered homeowners to address urgent needs and invest in their financial futures.

**Fundamental Concerns with LD 1901**

LD 1901 contains several provisions that are inconsistent with standard residential finance practices and would render the SAA model unworkable in Maine:

- § 3.317.1.A–B: The prohibition on taking a lien or another secured interest in the property is a de facto ban. These restrictions would turn SAAs into unsecured contracts, for which no investor would provide funding and which is fundamentally inconsistent with established real estate financing practices.
- § 3.317.1.F: No other mortgage or equity product is subject to a total prohibition on closing costs. While limits can be appropriate, providers must be allowed to recover basic transaction costs through standard fees.
- § 3.317.2: Tying repayment to a fixed multiple of the original amount is arbitrary and is not imposed on other residential financial products. It fails to reflect the shared-risk, shared-reward structure that defines SAAs.
- § 3.317.3: While we support consumers obtaining independent legal advice, mandating that the provider both recommend and pay for a lawyer introduces ethical challenges and non-recoverable costs that are unprecedented in consumer finance.

No other state imposes restrictions as sweeping as those proposed in LD 1901. States like Washington considered legislation with similar provisions in 2024 (SB 5968 and HB 2081) but rejected them in favor of a balanced approach that preserves access while ensuring appropriate safeguards.

**CHEP's Vision for a Responsible Regulatory Framework**

CHEP strongly supports clear, consistent, and consumer-focused regulation. We believe Maine can develop a gold-standard framework for SAAs by following examples such as Washington state's HB 1464, which CHEP helped craft and actively supported. Key features of a viable regulatory model include:

- Licensing and Oversight: Requiring SAA providers to be licensed by the Department of Professional and Financial Regulation, ensuring accountability and transparency.
- Disclosure Requirements: Mandating comprehensive, standardized disclosures, including projected outcomes under various home value scenarios, modeled after the Truth-in-Lending and RESPA integrated disclosures.
- Annualized Cost Limits: Establishing a maximum allowable annualized return to prevent windfall returns and protect short-term consumers.
- Three-Day Rescission Period: Giving homeowners the right to cancel within three business days to ensure fully informed decisions.
- Reasonable Use Protections: Allowing providers to require notice of rental or refinancing, while preserving homeowner flexibility.
- Appraisal Standards: Requiring appraisals to be conducted by independent or disclosed affiliated professionals, with homeowner consent.

This type of framework provides strong consumer protections while ensuring that SAAs remain viable for the investors who fund them and the homeowners who benefit from them.

**Request for Collaboration and Additional Time**

We respectfully request that the Committee delay consideration of LD 1901 and carry that bill over until the next full legislative session in 2026. Creating a durable and thoughtful regulatory model will take time, and it must be done right. SAAs are relatively new, and their regulation should not be rushed.

CHEP and its member companies are eager to work with the Committee, legislative staff, and the Maine Department of Professional and Financial Regulation to share insights, provide model language, and collaborate on a balanced legislative proposal. We believe this collaborative process will lead to a result that reflects both the interests of Maine homeowners and the realities of the capital markets that support SAA products.

LD 1901, as currently drafted, would make Maine a national outlier, eliminate a potentially valuable source of capital for homeowners, and undermine the viability of

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shared appreciation agreements entirely. We respectfully urge the Committee to reject the bill in its current form and instead initiate a stakeholder process that can yield a meaningful and effective framework in the 2026 session.

We appreciate your time and attention, and we welcome the opportunity to contribute to this important policy discussion.

Respectfully,

**Coalition for Home Equity Partnership**

/s/ Matthew Windsor

Matthew Windsor
Board Member