

Critical Insights into Shared Equity Products

A summary of key findings from 2026 Urban Institute research

“How Shared Equity Products Work, Who Is Using Them, and Regulatory Recommendations,” an independent study led by Laurie Goodman and Katie Visalli released by the Urban Institute in February 2026, aims to give readers insights into the shared equity product (SEP) landscape based on an analysis of 54,000 contracts originated from 2015 to 2025 by the industry’s three largest providers: Hometap, Point and Unlock.

How SEPs Work

SEPs, also referred to as home equity sharing agreements or home equity investments, allow homeowners to receive an up-front lump-sum cash payment in exchange for giving an investor a share of their home’s future value. The homeowner makes no monthly payments. The investor receives a payment when the home is sold, when the homeowner buys out the investor’s share, or at contract termination (which are typically 10- to 30-year terms). The annualized investor return is typically capped at 18–20%.

Interest in SEPs is growing. In 2025, more than 13,000 agreements were originated, with volume in the first half of the year alone nearly equaling 2024 total volume.

Who Is Using SEPs

The Urban Institute study reached many useful conclusions, including:

- Characteristics of homeowners choosing SEPs, including age, income, home price appreciation and the amount of equity extracted relative to property value, are very similar to those of homeowners who use mortgage loans for home equity extraction.

Two Common SEP Models

- ➔ **Total Home Value:** The investor receives a preset percentage of the home’s ending value.
- ➔ **Change in Value:** The investor receives the original investment plus a share of the home’s appreciation from a discounted starting home value.

- 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.
- 35% of equity-extraction mortgage applications were denied in 2024, leading homeowners to look at other options for tapping their equity. 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.

- 63% of homeowners who have used SEPs did so to pay down debt, while 21% used the cash to remodel or repair their property, and 13% used funds for savings and investment purposes.
- The median credit score of SEP users is 654 compared to 710 for cash-out refinance borrowers.
- The average SEP user extracted 15% of their home value, comparable to traditional mortgage products.

Regulatory Recommendations

The Urban Institute concluded that SEP mechanics are fundamentally incompatible with mortgage loan regulation because they feature:

- **No loan balance or amortization:** SEPs carry no unpaid principal balance, interest rate, or periodic payment schedule.
- **No APR calculation:** Any rate estimate would require predicting the future home value, which is unknown at origination.
- **No ability-to-repay (ATR) calculation:** Because settlement is a single future payment, not periodic, ATR standards designed for monthly obligations do not apply.
- **No credit reporting:** SEPs are not “credit” under FCRA, and originations and settlements are not reported to bureaus.
- **A distinct servicing model:** Servicers hold no homeowner funds, escrow no taxes, or insurance, and have no obligation to advance P&I to investors.

The researchers offered a recommended regulatory framework, which would include the following:

- CFPB monitoring and complaint portal inclusion
- State licensing with annual renewal
- Mandatory caps on costs and fees
- A standardized disclosure form showing settlement scenarios of 1, 3, 5, and 10 years across multiple home price paths
- Independent appraisal standards
- A 3-day rescission period
- Counseling for borrowers aged 62 and older or with low credit scores

Conclusion

SEPs fill a genuine gap for homeowners who are excluded from or unwilling to use traditional equity-extraction products. Yet, their mechanics are fundamentally incompatible with mortgage loan regulation. Ultimately, clear regulatory standards that are tailored to SEPs are needed to protect homeowners and allow originators to continue offering these unique products.



Scan the QR code for access to the full study. Then, visit homeequitypartnership.org for more information about shared equity products.



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