COALITION FOR HOME EQUITY PARTNERSHIP

CHEP Response to the National Consumer Law Center's Letter Regarding the Urban Institute's February 2026 Report on Shared Equity Products

On March 30, 2026, the National Consumer Law Center (NCLC) sent a letter to the Urban Institute requesting that it retract or revise its February 2026 research report on shared equity products. CHEP welcomes earnest engagement from the NCLC on how these products should be regulated. The Consumer protection goals they identified — cost transparency, meaningful payment caps, counseling for homeowners who need it, protection of heirs and successors, clear advance notice of settlement obligations, and prohibition of all unfair, deceptive, or abusive practices — are goals CHEP shares and has embedded in its model regulatory framework. We disagree, however, with NCLC's characterization of the report and with several of its legal claims. The disagreement is not about whether consumer protections are warranted. It is entirely about the technical mechanism through which they are delivered.

This statement sets out what CHEP and its members stand for, addresses the specific concerns NCLC raises, and corrects factual and legal errors in the letter.

I. CHEP Supports a Tailored Regulatory Framework That Protects Homeowners

CHEP and its members are not opponents of regulation. We have said so consistently, in every legislative proceeding and regulatory comment, and in the model legislation we have developed and shared with states across the country. Among other provisions, the framework includes:

- **State licensing** for all SEP originators, with annual renewal
- **Comprehensive plain-language disclosures** purpose-built, including scenario tables showing settlement costs at multiple time horizons and home price assumptions
- **Annualized cost caps** limiting the maximum return an investor can earn
- **Independent appraisal standards** consistent with existing mortgage loan regulations
- **Minimum requirements** to preserve homeowner equity at settlement
- **A three-day right of rescission**
- **A prohibition on all unfair, deceptive, or abusive acts and practices**

All CHEP members voluntarily cap the cost of their products today with the understanding that homeowners need and deserve protection from predatory practices. Additionally, CHEP has created a standardized industry disclosure form based on the TRID disclosures, which has received positive feedback from multiple state regulators. CHEP is currently advocating for its adoption nationwide.

II. Acknowledging and Addressing Consumer Protection Concerns

NCLC's letter describes homeowners who have experienced adverse outcomes with shared equity products, including large settlement obligations, difficulty refinancing, and the prospect of

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selling a home to satisfy a settlement payment. CHEP takes these concerns seriously. Any homeowner who enters a financial transaction without fully understanding its terms, or who faces an outcome inconsistent with what was disclosed, is the antithesis of CHEP's values and goals for this product.

That is precisely why CHEP advocates for mandatory standardized disclosures, cost caps, and the availability of third-party counseling services. Under CHEP's proposed framework:

- **Settlement obligations are disclosed up front** through scenario tables that show the homeowner, before signing, what they would owe under multiple home-price and holding-period combinations. The Urban Institute report includes prototype versions of these tables (page 21, Tables 2 through 4), which CHEP supports as a disclosure standard.
- **Annualized cost caps limit the maximum the homeowner can owe**, particularly in early years when the gap between the built-in return and actual home appreciation is largest.
- **Homeowners can settle at any time without penalty**, giving them control over when they exit the agreement.
- **Third-party consumer counseling services should be made generally available**, allowing homeowners to receive an independent source of education and feedback on their decision to receive a shared equity product. Many CHEP members have already partnered with HUD-certified housing counselors to provide this counseling.
- **Heirs and successors should be protected from an immediate forced sale upon the death of a homeowner,** which includes a regulatory framework that requires that heirs receive adequate advanced notice and a reasonable opportunity to settle, refinance, or otherwise transfer the obligation.

CHEP recognizes that some companies operating outside of our membership have originated products without cost caps or with terms that fall below the standards CHEP advances. The Washington state report found that approximately 20% of SEPs originated in that state lacked homeowner protection caps, all originated by a non-CHEP firm that has since implemented a cap[1]. Mandatory regulation would prevent any originator from operating below a baseline standard, which is exactly what CHEP's framework is designed to achieve.

CHEP also supports ongoing data collection and reporting requirements as part of any comprehensive regulatory framework, both because transparency serves homeowners and because a robust empirical record will ultimately confirm what providers observe every day about this product's performance. The NCLC's critiques about the limited settlement outcome data available reflects the market's relative youth, not a gap in provider cooperation. The Urban Institute received provider data on the settlements that had occurred at the time of its research and analyzed them; the constraint was the small number of agreements that had reached

[1] See, Amorim, Mariana, Ben Brunjes, Gregg Colburn, et al. 2025. Home Equity Sharing Agreements in Washington State. University of Washington, Evans School of Public Policy and Governance, Evans Policy Innovation Collaborative. See also, Goodman, Laurie, & Visalli, Kate. February 26, 2026. How Shared Equity Products Work, Who Is Using Them, and Regulatory Recommendations. Urban Institute; available online.

settlement events, not any refusal to provide information. The University of Washington's research team, conducting an independent study commissioned by the Washington Department of Financial Institutions, encountered and explicitly noted the identical limitation, observing that "there is limited data and nearly no publications" on these products and that the small number of settled contracts constrained the conclusions available.

III. The Legal Record Confirms That SEPs Required New Law, Not Existing Law

NCLC claims that courts and regulators have reached a "clear consensus" that SEPs are mortgage loans subject to existing lending laws. The actual legal record tells a different story. In actuality, states have taken *additional* legal action to bring SEPs into coherence with existing laws.

A. State legislative actions prove SEPs were outside existing mortgage frameworks

NCLC cites three states as evidence that SEPs are "subject to lending laws": Connecticut, Illinois, and Maryland. Each of these states had to take affirmative legislative or regulatory action to bring SEPs within their lending frameworks, exactly because the SEPs were NOT mortgages, under the law:

State	Action Taken	What It Demonstrates
Connecticut	Amended Conn. Gen. Stat. Ann. § 36a-485 to add new subsections (27) and (30)	Existing mortgage statute lacked definitions to cover SEPs; new statutory language was required
Illinois	Amended 205 ILCS 635/1-4 to add subsections (f) and (ccc)	The Residential Mortgage License Act did not reach SEPs without explicit statutory expansion; rulemaking has taken over two years and remains ongoing
Maryland	Enacted Fin. Inst. § 11-501; designed entirely new disclosure forms; exempted SEPs from Ability-to-Repay requirements	Existing mortgage rules were structurally incompatible; a new framework was built from scratch over sixteen months

Legislative amendments to cover SEPs and drafting new definitions to fit existing definitions only support the argument that each of these actions is an authoritative acknowledgment by the relevant state that SEPs were outside the existing mortgage framework and that new law was required. NCLC has offered, as its proof, the precise legal record that undermines its own claim.

The experiences in Maryland and Illinois were particularly instructive. Their regulators concluded that existing mortgage rules were structurally incompatible with SEPs and spent extensive time

building an entirely new framework, including bespoke disclosure forms. If SEPs were already mortgages under their laws, none of that work would have been necessary.

B. Court decisions do not establish a consensus

NCLC cites a handful of court decisions and declares a consensus. No such consensus exists. The cases NCLC relies on share one feature: none represent a final adjudication on the merits that a shared equity product is a mortgage loan. Courts allowed claims to proceed, denied dismissal motions, or made other threshold determinations. A ruling that litigation may continue is not a ruling that the plaintiff is correct.

The *Olson* decision warrants particular attention. The August 7, 2025, Ninth Circuit panel opinion that NCLC cites no longer exists as a judgment. On October 17, 2025, more than four months before NCLC sent its letter, the Ninth Circuit granted the parties' stipulated motion to dismiss the appeal and replaced the August 7 judgment with a dismissal order. As Judge Collins stated in dissent, the majority's action "vacat[ed] this court's August 7, 2025 judgment" and replaced it "with a judgment dismissing the appeal, which leaves the district court's judgment in place."[2] The district court had dismissed the Olsons' case. That is now the judgment that stands. The operative result is not in dispute; the August 7 opinion is no longer a judgment of the Ninth Circuit, and it does not support the legal conclusion drawn from it.

The more complete legal picture also includes decisions and regulatory actions that support the industry's position. In *Foster v. Equity Key Real Estate*[3], a California federal district court dismissed claims that a shared equity agreement was subject to California's Financing Law and Anti-Deficiency Statute, concluding the product was not a loan. Pennsylvania's Governor's Office of General Counsel issued a formal 2020 opinion finding that a shared appreciation agreement was not a residential mortgage loan because it created no obligation to repay a sum of money in an original bona fide principal amount and the security document did not secure a promise to pay money. These decisions confirm that the legal question remains genuinely contested, not resolved in the manner NCLC suggests.

The genuine legal picture is one of active, contested development across jurisdictions, which is exactly what the Urban Institute described.

C. The precedent for tailored regulation is well-established

NCLC's position is that existing mortgage rules should simply be applied to SEPs regardless of fit. Congress and regulators have never followed that approach when confronted with structurally distinct home finance products.

Reverse mortgages share several of SEPs' most distinctive features: no monthly payment obligation and lump-sum settlement. Congress gave reverse mortgages their own dedicated

[2] See, *Olson v. Unison Agreement Corp.*, No. 23-2835, 2025 (9th Cir. Aug.7, 2025)
[3] See, *Foster v. Equity Key Real Estate Investments*, No. 5:2017cv00067 (N.D. Cal. 2017)

statutory and regulatory treatment because the standard mortgage framework did not fit them. Home equity lines of credit similarly required bespoke rules under Regulation Z. In each case, the regulatory response was to build a framework that matched the product's actual structure, not to force the product into an incompatible framework.

NCLC cites the Consumer Financial Protection Bureau's (CFPB's) PACE loan rulemaking as proof that adaptation is straightforward. That comparison actually supports the case for tailored regulation; the PACE rulemaking took years, produced bespoke rules, and exempted PACE loans from requirements incompatible with their structure.

The CFPB's own response to SEPs has been an Issue Spotlight monitoring document[4], not an enforcement action or rulemaking. The agency with the broadest consumer protection authority chose careful monitoring over prohibition.

IV. The Question That Must Be Answered

The Urban Institute report found that approximately 26.9% of homeowners who obtained an SEP in 2024 had credit scores below 600 and would likely have been unable to qualify for a mortgage loan. NCLC raises this as a risk. We agree it raises questions, but the more fundamental question is the one NCLC declines to address: What happens to those homeowners if shared equity products do not exist?

NCLC's answer, embedded in its legislative advocacy, is that they go without. That means homes in need of renovation go unrepaired. Homeowners burdened with expensive debt have no equity-based path to pay it down without taking on additional monthly obligations they may not be able to afford. Homeowners who are equity-rich but income-constrained are denied access to wealth they have built over decades and might be forced to sell their homes.

When a homeowner's settlement obligation grows because the home's value has grown, the homeowner's equity grows alongside it. NCLC presents the settlement liability in isolation while omitting the corresponding increase in the homeowner's asset. A homeowner whose settlement obligation has increased substantially is usually also sitting on substantially greater equity than when they entered the agreement.

NCLC also compares SEP origination fees (3.9% to 4.9%) against a 1.6% average for traditional mortgage closing costs. The more relevant benchmark is the aforementioned reverse mortgage, a product that similarly provides lump-sum access to home equity with no monthly payment obligation and that carries origination costs well in excess of traditional mortgages. The comparison is further skewed by transaction size: SEP originators typically advance 10 to 20 percent of the home's value, not the 50 to 90 percent loan-to-value ratios that characterize purchase mortgages and cash-out refinances. Expressing fees as a percentage of a much smaller

[4] See, Office of Mortgage Markets. January 15, 2025. Issue Spotlight: Home Equity Contracts: Market Overview. Consumer Financial Protection Bureau (CFPB); available online.

advance will produce a higher percentage figure even when the dollar cost to the homeowner is comparable or lower.

A regulatory framework that forecloses an available option for homeowners in need, while offering nothing in its place, does not protect consumers. It denies them a choice they are entitled to make with full information. That is not consumer protection. That is abandonment.

V. The Urban Institute's Independence

NCLC questions the Urban Institute's objectivity based on funding from the Housing Finance Innovation Forum and the use of industry-provided data. The Urban Institute has published a Statement of Independence affirming that funders do not determine research findings. The report itself contains findings unfavorable to the industry, including its discussion of consumer complaints, the acknowledgment that some originators have operated without cost caps, and its identification of regulatory gaps. These are not the hallmarks of an industry-captured study.

More broadly, the NCLC itself has relied on Urban Institute research in at least 15 separate publications, including congressional testimony, CFPB comment letters, and advocacy materials. NCLC treated Urban Institute research as authoritative when it supported NCLC's positions on credit scoring, debt collection, and racial disparities. The February 2026 report is entitled to the same presumption of rigor and independence.

VI. Conclusion

CHEP calls on policymakers, regulators, and fellow stakeholders to evaluate the Urban Institute report on its merits and to engage with the data it presents. We welcome dialogue with NCLC and with any organization committed to building a regulatory framework that protects homeowners while preserving access to a product that serves those who need it most.

The genuine consumer protection goals embedded in NCLC’s letter — cost transparency, payment caps, appraisal independence, counseling for vulnerable consumers, anti-manipulation prohibitions, payoff information requirements, and advance notice before settlement obligations arise — are shared by CHEP and are reflected directly in the CHEP model act. The disagreement is not about whether these protections are warranted. It is entirely about the technical mechanism through which they are delivered. CHEP’s answer — confirmed by independent regulatory judgment in Maryland, Connecticut, and Illinois — is that a purpose-built framework delivers them more effectively and more enforceable than a mortgage-law retrofit.

The homeowners NCLC describes — the credit-constrained, the asset-rich but income-modest, those shut out of traditional mortgage markets — are the homeowners CHEP's members serve every day. The answer to legitimate consumer protection concerns is better regulation, not elimination. CHEP is committed to working with any stakeholder, including NCLC, toward that outcome.