



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,

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PA Resident