



Equity Sharing: A New Approach for Financing Homeownership and Accessing Equity

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This report introduces a relatively new breed of home financing/refinancing products that represent a significant departure from debt arrangements historically associated with homeownership - e.g., home mortgage and home equity line of credit (HELOC) products. Making their debut within just the past few years, these home financing products are nontraditional loans based upon the lender acquiring an equity stake in a (typically residential) property. Because of struggles that are becoming increasingly common in today's residential housing market, consumers are looking for alternatives to traditional financing products. As home prices have vastly outpaced incomes across the U.S., first-time homebuyers find it increasingly difficult to satisfy banks' mortgage terms. At the same time, exiting homeowners often find themselves to be "house rich, cash poor," often unable to qualify for or make payments on financing occasionally needed to meet life's financial challenges. Home equity sharing loans present such an alternative, and thus deserve scrutiny as financial instruments with which to compete, collaborate, or perhaps to even co-opt.

Key questions discussed in this report:

- What is home equity sharing, what are its forms, and how does it work?
- What are typical home equity sharing terms and conditions?
- What are the current key players in the home equity sharing market?
- Is home equity sharing a viable market?
- What are the recommended roles for financial institutions in the home equity sharing market?

Companies Mentioned: Hometap, Patch, Landed, Point, OWN Home Finance, Unison

Consumer data in this report is based primarily on information collected in a panel of 2,000 consumers in an online survey conducted August 2018. The margin of sampling error is +/- 2.19% at the 95% confidence level.

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