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## NEWS RELEASE

FOR IMMEDIATE RELEASE

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### Financial Literacy Tip of the Week Understanding Alternative Mortgage Products

**Boise, Idaho...**The Idaho Department of Finance is encouraging homeowners to carefully evaluate alternative mortgage and home-equity products following a rise in complaints. Recent complaints include companies charging consumers, predominately seniors, for reverse-mortgage counseling that should have been free and was not HUD-approved, high-pressure “retirement mortgage” seminars pushing expensive products and discouraging lawyer review or family involvement, and fraudulent callers impersonating government mortgage-relief programs and demanding upfront fees. Many Idaho homeowners, particularly long-time residents have built substantial equity, which has led to increased marketing activity from lenders, investors, and, in some cases, scammers.

Most complaints begin with targeted marketing agreements that place the burden on consumers to understand complex terms that may affect their housing stability and financial well-being. Products cited in recent complaints include:

**Home Equity Sharing Agreements:** Home Equity Sharing Agreements (HESAs) are being marketed as “debt-free cash”, but they come with significant tradeoffs. Homeowners receive an upfront payment in exchange for giving investors a share of the home’s future appreciation. Agreements often last 10 to 30 years that may restrict refinancing or selling and require a large lump-sum repayment at the end of the term. If the home appreciates significantly, the cost the homeowner pays can far exceed that of a traditional loan. Upfront fees, appraisal costs, and property restrictions are also common.

**Sale-Leaseback Agreements:** Sale-Leaseback Agreements are a financial arrangement where a property owner sells their home and leases it back from the new buyer. While these agreements provide immediate cash, they convert homeowners into tenants, expose them to rent increases, and eliminate their equity. Some companies use aggressive sales tactics or predatory lease terms, making legal review essential.

**Reverse Mortgages:** Reverse mortgages, specifically the federally insured Home Equity Conversion Mortgage (HECM), allow homeowners aged 62 and older to convert part of their home equity into tax-free cash while staying in their home. Instead of making payments to a lender, the homeowner receives funds as a lump sum, monthly payments, a line of credit, or a combination. As fees and interest accumulate, the loan balance grows over time, reducing the remaining equity and creating risks if property taxes, insurance, or maintenance obligations are not met. The loan is repaid only when the homeowner sells the property, moves out, or passes away. HUD-approved counseling is required for this product.

Consumers considering entering into any agreement that utilizes their home as collateral should ensure they have read and understand all the terms of agreements including long-term implications. Some key considerations include:

- ✓ Be cautious about letting door-to-door real estate investors into your home.
- ✓ Never sign a contract immediately. Take time to review it carefully, ask questions, and ideally have an attorney or trusted financial professional look it over.
- ✓ Talk to your mortgage servicer or lender before transferring your home to someone else. Many lenders can demand full repayment of the loan if you deed your property to a third party while still owing on the mortgage.
- ✓ Know that you remain responsible for your mortgage, even if the company promises to make the payments. If they stop paying, go bankrupt, or disappear, the lender will hold you accountable.
- ✓ Your mortgage will stay on your credit report, which may limit your ability to qualify for new credit.

Idaho homeowners are encouraged to work with HUD-approved housing counselors, seek guidance from qualified real estate attorneys, and regularly review property records. Helpful sources include:

**HUD Housing Counselors** – [www.hud.gov/states/idaho](http://www.hud.gov/states/idaho)  
**Idaho Department of Finance** – [www.finance.idaho.gov](http://www.finance.idaho.gov)  
**Idaho Housing and Finance Association** – [www.ihfa.org](http://www.ihfa.org)  
**Idaho Attorney General** – [www.ag.idaho.gov](http://www.ag.idaho.gov)  
**Idaho Legal Aid**- [www.idaholegalaid.org](http://www.idaholegalaid.org)

Homeowners who suspect misconduct or deceptive practices can also submit a formal complaint to the Idaho Department of Finance for further review and assistance at [www.finance.idaho.gov](http://www.finance.idaho.gov).

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### **About the Idaho Department of Finance**

The Idaho Department of Finance has regulated financial services in Idaho since 1905. Its mission is to safeguard the financial health of Idahoans through the appropriate oversight of diverse financial institutions, the education and protection of consumers, and by fostering sensible innovation in the financial services market. For more information, please visit [finance.idaho.gov](http://finance.idaho.gov) or email [finance@finance.idaho.gov](mailto:finance@finance.idaho.gov).