

Owners sue over equity program

California-based Unison wrongly pitches product as debt-free, lawsuit says

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A lawsuit filed on behalf of a Colorado couple claims that California company Unison provides home-equity agreements pitched as interest- and debt-free, but are actually loans that can leave homeowners on the hook for substantial balloon payments.

The lawsuit filed Monday in U.S. District Court in Denver alleges that the San Francisco-based company markets its product as a "loan alternative" and then uses a variety of mechanisms to maximize its return at the homeowners' expense. The attorneys are proposing that the complaint be certified as a class-action lawsuit, saying the company could have 300 or more similar agreements with Colorado homeowners.

Unison gets around requirements for licensing, disclosure and interest rates ^{Note} applicable to mortgage and consumer loans under Colorado law by calling its product an "option contract," the lawsuit said. However, Unison's home equity agreement functions more like a consumer loan or mortgage and should be regulated as such, the attorneys argue.

Centennial residents Katharine and Charles Kane signed an agreement with Unison in 2018 after receiving a flier promoting the home equity agreement, according to the lawsuit. They received an initial advance of approximately \$87,956 in exchange for granting Unison a 70% interest in the future value of their home.

Unison estimates the Kanes owe between \$178,038 and \$278,618 as of March 31, the lawsuit said.

"Our clients worked hard for decades to build equity in their home, and they entered into this agreement in good faith, trusting Unison's promise of a simple, debt-free product," Elizabeth Aniskevich, senior counsel at the law firm Singleton Schreiber in Washington, D.C., said in a statement.

Instead, the couple got caught in "a complex financial trap" that threatens their ability to retire, Aniskevich said.

Messages were left asking for comment from Unison.

The contract in question is a home-equity agreement, which realtor.com said allows homeowners to access a lump sum of money by selling a portion of the home's future value. Instead of monthly payments as with a ^{Note} traditional loan, people repay the investment when they sell, refinance or reach the end of the agreement's term.

A promotion of the "equity sharing agreement" on Unison's website says, "No monthly payments. No interest. No kidding." According to the website, the company, which also offers equity home loans, has agreements with 17,000-plus homeowners across the country and the total value of homes it has invested in is \$8.8 billion.

The Colorado lawsuit against Unison said the agreements people sign onto span nearly 100 pages and include multiple separate contracts, making it impossible for homeowners to understand their true obligations until payment is due. The company discounts the original value of the home, requires homeowners to pay all costs and fees during the term of the agreement and controls the home appraisal process, the attorneys asserted.

The Colorado lawsuit's allegations are similar to those of one filed in February in Washington, D.C., by the National Association of Consumer Advocates, represented by attorneys from its staff, the AARP Foundation and Singleton Schreiber.

The defendants named in the Colorado lawsuit are Unison Agreement Corp., Unison Investment Management and Real Estate Equity Exchange, the corporate parent of the other two companies.

The complaint alleges that Unison has violated Colorado's consumer credit code, consumer protection act, mortgage lending requirements and reverse mortgage requirements. Attorneys want the court to void the agreements and declare that the contracts are mortgages or loans.