

Home Equity Investment 101

Learn how a home equity investment works, what it may cost, who may qualify, and what to ask before you apply.

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How a Home Equity Investment Works

A **home equity investment (HEI)** gives you money in exchange for a contractual share of your home's value in the future. It is not a loan with an interest rate and scheduled monthly payments. The agreement explains how the provider's future share is calculated and when it must be settled.

You keep title to your home, but the provider generally records a lien or similar security interest against the property. That recorded interest matters if you sell, refinance, or take out another loan secured by the home.

NO MONTHLY PAYMENT DOES NOT MEAN NO OBLIGATION

An HEI defers payment until a settlement event under the agreement. You still owe the amount calculated under its terms, which may depend on the home's value at that time.

From application to settlement

1

Share your information

The provider reviews your application, property, title, existing mortgage and other liens, and the home's estimated value. What it checks varies by provider.

2

Review the written offer

Look for the gross investment, estimated deductions, valuation method, the provider's share, the agreement term, and the events that require settlement.

3

Close and receive funds

At closing, you sign the agreement and related documents. The provider generally records its lien or similar security interest; you retain title to the home.

4

Settle under the agreement

A sale, refinance, an early buyout if the agreement allows it, or the end of the term may require settlement. The agreement controls the valuation and amount due. The [application-process guide](#) explains the steps in more detail.

During the term, you remain responsible for the home and for the obligations in your contract, which may include keeping taxes and insurance current and maintaining the property. Ask how a refinance, major repair, sale, or change in occupancy would affect your agreement.

SECTION 2

Costs and Tradeoffs

An HEI has no loan APR or scheduled monthly payment, but it is not cost-free. Your net cash can be reduced by upfront deductions, and the provider's future share can be substantial. Compare the full agreement with alternatives over the time you expect to keep the home.

Consideration	HEI	HELOC or home equity loan
How you receive funds	A lump sum, subject to the offer and deductions	A credit line (HELOC) or lump sum (loan), subject to lender approval
Payment structure	No scheduled monthly payment; settlement is due under the agreement	Usually scheduled payments that include interest and, depending on the product, principal
How future cost is set	Agreement formula, future valuation, fees, and settlement timing	Loan balance, interest rate, fees, and repayment schedule
Home value changes	May affect the amount due; valuation rules and any adjustments are contract-specific	Do not usually change the amount you owe on the loan

HOMETAP FEE DISCLOSURE

Hometap publicly states a 4.5% processing fee capped at \$20,000. This fee is separate from variable third-party appraisal, closing, title, and government recording or transfer costs; the fee and those costs may be deducted from the investment. The written Investment Estimate shows the amounts for your offer; see the [closing-cost guide](#) for more detail.

For Hometap, there is no loan APR or scheduled monthly payment, but the future Hometap Share and the agreement's settlement rules still matter. Appreciation, the valuation method, fees, a sale or refinance, and the term-end provisions can all affect your eventual cost and choices. Do not assume every provider uses the same formula or that an HEI will cost less than borrowing.

A HELOC or home equity loan may offer a more familiar repayment schedule, but it creates payments and interest. Compare current written offers and your cash flow needs; our [HEI vs. HELOC comparison](#) and [four-product comparison](#) cover the differences.

SECTION 3

Eligibility Depends on the Provider

Providers set their own rules, and criteria can vary by state, property, title, and offer. They may review your available equity, existing liens, credit, occupancy, property condition, and whether the home is in a supported area. A preliminary screen is not an approval or a promise of final terms.

Hometap-specific guidance: Hometap's current public starting screen is approximate and offer-dependent. It describes a home-value floor of about \$200,000 where applicable, roughly 25% equity remaining after the investment, and an initial soft FICO screen of about 550. The home generally must be a primary residence, and Hometap reviews property type, title, and condition. Income is not verified in the initial screen. These points do not guarantee an offer or approval, and other providers set their own criteria.

For current details and a broader provider comparison, read the [HEI eligibility guide](#). Ask the provider to confirm which criteria apply to your property and location before you rely on an estimate.

SECTION 4

Questions to Ask Before Applying

Ask for clear answers in writing. Read the full agreement and the valuation example before you decide.

- ☐ How much cash will I receive after the processing fee and every third-party deduction?
- ☐ How is the provider's share calculated? What starting value, future valuation, adjustments, cap, or minimum settlement amount apply?
- ☐ How do renovations, damage, or a decline in home value affect the calculation?
- ☐ Which events require settlement, and what are my options and deadlines if I sell, refinance, or reach the end of the term?
- ☐ Can I settle early, and what appraisal or other costs would that involve?
- ☐ What happens if I cannot pay the settlement amount at term end? Could the agreement require a sale?
- ☐ What will be recorded against my title, and how could it affect a future mortgage, HELOC, or refinance?
- ☐ What responsibilities do I have for occupancy, taxes, insurance, maintenance, or notice of changes to the property?
- ☐ What happens if I die during the term, and what choices and deadlines would my heirs have?
- ☐ Can I take the agreement and cost estimate away for independent review before signing?

SECTION 5

Your Next Steps

Start with the amount you need and when you expect a sale, refinance, or other settlement. Request a written estimate, compare net proceeds and likely settlement costs with loan alternatives, and review the agreement before committing. Use the [product comparison](#) and [closing-cost guide](#) as checklists while you compare.