



## Product Guide



Unlock offers an innovative financial product that – not surprisingly – ***unlocks*** a portion of your home equity. The cash you receive from Unlock **is not a loan**, so you pay no interest and make no monthly payments to Unlock. In fact, there are no payments to us at all until you decide to sell your home – up to 10 years later. Instead, we share in a portion of your home’s value when you sell.

So, if it’s not a loan, what is it? We call it a Home Equity Agreement (HEA). It’s a new and better way to access the home equity you worked so hard to build.

This Product Guide will help you learn about the Unlock HEA, to see if it might be right for you.

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**The examples in this Product Guide are for the purpose of illustration only.**

The terms offered in a specific Unlock HEA may be materially different. The maximum length of the Unlock HEA is 10 years. Pricing and other important terms will vary. Your actual terms will be determined during the underwriting of your application based upon your property, your credit history and financial profile, and terms being offered at that time, and will always be disclosed to you in advance in writing.

Your receipt of this Product Guide is not a commitment by Unlock to enter into a transaction.

Unlock gives you the freedom to pay off debts or invest in your home, your children or your retirement.



## About Unlock

Unlock is an innovative consumer finance company on a mission to help homeowners unlock the value of their biggest asset, their home equity, and to dramatically improve their lives by doing so. The company was founded by respected real estate and finance veterans with deep experience in innovative consumer finance products.

We offer an innovative home finance solution, called a Home Equity Agreement (HEA). When your Unlock HEA closes, you'll receive a lump-sum cash payment. It's not a loan. You can use the money for the entire term without interest charges or monthly payments. In exchange for the cash, Unlock will receive a percentage of your home's value when you decide to sell or buy us out. The more cash we give you up front, the larger our future share will be. We're hoping that your home will rise in value and we'll both benefit from price appreciation. It's that simple.

Imagine paying off debts, doing home renovations, funding long term care insurance or paying for college, all without interest or monthly payments. And you decide when to settle up with us, up to 10 years later. Now that's financial flexibility!

Thank you for your interest. We look forward to assisting you with your home finance needs.

## Our Thoughts On Customer Education

We want you to have a full understanding of the terms and conditions of the Unlock HEA before making any decisions about it. Education is a key part of who we are as a company and it is a required step in our process.

This Product Guide is intended to explain the most important features of the HEA. You should also review the HEA legal documents as part of the process.

During the processing of your application, we will provide you with additional disclosures containing the key terms of your HEA. Your Unlock Home Equity Consultant will review those disclosures with you and answer all of your questions. You will complete our education process before indicating your intent to proceed.

You are urged to carefully review the Unlock HEA legal documents and other materials with your financial, tax and legal advisors, and family members. Your Home Equity Consultant will be happy to discuss the HEA with them as well, at your request.

### What's The Catch?

We get this question all the time. People ask how we can offer homeowners money for up to 10 years with no monthly payments. Where does the money come from?

Put simply, there is no catch. The HEA is a new type of home finance that differs from a loan. Loans require borrowers to make monthly payments based on a specified interest rate. Loan investors find that attractive. HEAs allow homeowners to defer the cost of the financing until termination, and then share a percentage of the home's value at that time. HEA investors find that attractive.

What this means for you is immediate cash - without payments - until you decide to sell your home or buy us out.



# Chapter 1: The Foundation



The Unlock HEA is designed to put you, the homeowner, in control. You decide, within certain guidelines, how much cash you would like to receive from us. You use the cash without interest or payments. You own and manage your home the way you see fit. And you decide when and how your HEA will end.

In Chapter 1 we will introduce some of the key concepts and events that can occur over the life of an Unlock HEA.

## At The Start

At the start of the Unlock HEA, we invest in your home by making a cash payment to you. It's not a loan, and you can use the money for the entire term without interest charges or monthly payments. In exchange for the cash, Unlock will receive a percentage of your home's value when you decide to sell or buy us out.

It all begins with two simple questions: Do you and your home qualify? If so, how much cash can we give you? To answer these questions, we'll need to know a few things:

- Your home's address and value
- The current balance of all existing mortgage debt on your home
- Some basic credit information
- Your occupancy status

Qualifying & Determining Maximum Available Cash				
Address	Home Value	Mortgage Debt	Basic Credit Info	Occupancy
Your home must be located in an area served by Unlock and must not be an atypical property	Higher value = more cash available Lower value = less cash available (limits may apply)	More debt = less cash available Less debt = more cash available (limits may apply)	Good credit = more cash available Credit issues = less cash available (limits may apply)	Primary residence = more cash available Second home or rental home = less cash available

We'll review your basic information against our guidelines and determine if your home is eligible and you qualify. If so, we'll also tell you approximately how much cash can be available from the Unlock HEA and how much of your home's future value you would share with Unlock in exchange for that cash payment.

Remember, you're in control. You can decide if you want to receive the maximum amount of cash available, or a smaller amount. The more cash you receive up front, the larger Unlock's percentage will be. The less cash you receive, the smaller Unlock's percentage will be.

Here's an example:

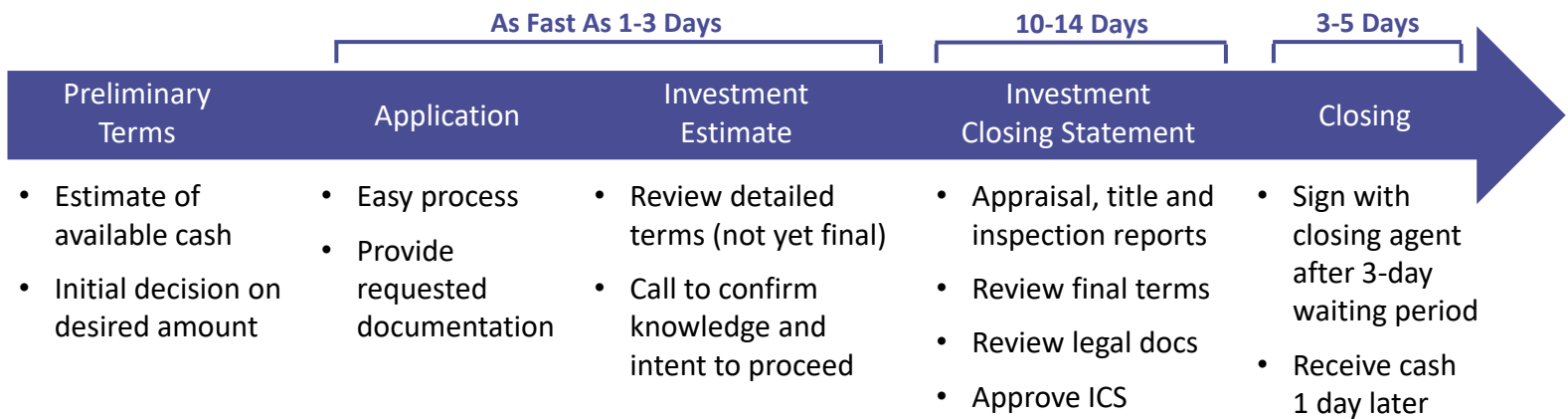
- Your home is your primary residence and its current value is estimated at \$1,000,000.
- You have a credit score of 640 and a \$400,000 balance remaining on your mortgage.
- We estimate that the maximum available cash is \$200,000 (20% of your home's value). In exchange for providing that amount to you, we'd receive 40% of your home's future value when your HEA ends.
- You decide that you would like to receive half of that amount: \$100,000, or 10% of your home's current value. That reduces Unlock's share of your home's future value by half, to 20%.
- We issue Preliminary Terms: you could receive \$100,000 (10% of today's value) in exchange for 20% of your home's future value.

After receiving the Preliminary Terms, you will complete an application. We will verify your information and issue an Investment Estimate (“IE”) containing detailed, but not final terms. Terms are still subject to obtaining independent, third-party reports for appraisal, title, and when needed, home inspection, so numbers can still change at this point.

We’ll schedule a call to walk you through the IE and answer any questions and confirm your knowledge of the HEA. With your approval we will then obtain, at your expense, the required third-party reports, complete our underwriting and issue an Investment Closing Statement (“ICS”) with final terms and costs. We’ll also provide you with copies of the HEA legal documents. Upon your approval of the ICS we will schedule the closing.

Closing involves signing the Unlock HEA documents with a closing agent. To allow you additional time to consider your decision, we will not schedule your signing any sooner than three business days from the date you approve the Investment Closing Statement. You can cancel at any time before the signing by simply notifying us. Your HEA is effective as of the signing and you will typically receive funds one business day later.

The process from start to finish typically takes about 30 days, but it can go faster depending on how quickly you want to move and how long it takes to obtain the appraisal and inspection. Please note that obtaining an appraisal can sometimes take much longer than anticipated, which can result in the process taking longer. We don’t typically have much control over appraisal turn times, just like mortgage lenders don’t.



Unlock Partnership Solutions Inc. 270 Madison Avenue, Suite 702, New York, NY 10016		<i>Save a copy of this estimate for your records. Before closing, terms from this estimate may change.</i>	
<b>Investment Estimate and Summary of Key Terms</b>			
<b>DATE ISSUED</b>	04/17/2023	<b>MAX TERM</b>	10 year(s)
<b>APPLICANTS</b>	Ted Testcase 152 BELMONT AVE, PATERSON, NJ 07522	<b>PURPOSE</b>	Unlock Equity
<b>PROPERTY</b>	152 BELMONT AVE PATERSON, NJ 07522	<b>PRODUCT</b>	Home Equity Agreement (HEA)
		<b>OCCUPANCY</b>	Principal Residence
		<b>HEA #</b>	41714458522102
Investment Terms	Explanation		
<b>Starting Home Value</b>	\$500,000	Estimated and subject to appraisal; may affect the Investment Percentage and Unlock Percentage if it changes.	
<b>Investment Payment</b>	\$50,000	The gross amount of money you receive from Unlock's investment in your home. This is not a loan. No interest is charged on the Investment Payment and there are no monthly payments due.	
<b>Investment Percentage</b>	10.00%	Investment Payment as a % of Starting Home Value.	
<b>Exchange Rate</b>	2.00x	The price of your HEA; subject to underwriting.	
<b>Unlock Percentage</b>	20.00%	In exchange for an up front cash payment of 10.00% of your home's value, Unlock will receive 20.00% of your home's value when your HEA ends. (10.00% X Exchange Rate of 2.00x = 20.00%)	
<b>Annualized Cost Limit</b>	19.90%	Maximum cost of your HEA per year from start to end, expressed as a percentage rate of investment return; subject to underwriting.	
<b>Home Finance Limit</b>	85.00%	Maximum amount of debt and equity financing secured by your home, expressed as a percentage of home value.	
<i>See page 3 of this document for additional information on investment terms</i>			

*Here’s a sample portion of an Investment Estimate (“IE”). It contains preliminary terms and is used as the basis for a review call with the homeowner to ensure full understanding of the HEA.*



## During

During the HEA term, you continue to own your home. Unlock is not a co-owner. You continue living in your home, and enjoy the benefits of ownership, including any tax benefits. You pay your mortgage, real estate taxes, property insurance and other housing obligations, including maintenance. You abide by the provisions of the HEA, including occupancy requirements and certain restrictions on additional borrowing secured by your home. Unlock will have a lien on the property to protect its investment until the HEA ends.

You manage your home as you see fit. Want to redecorate or remodel? Rent out the basement or post a rental room on Airbnb? No problem.

## At The End

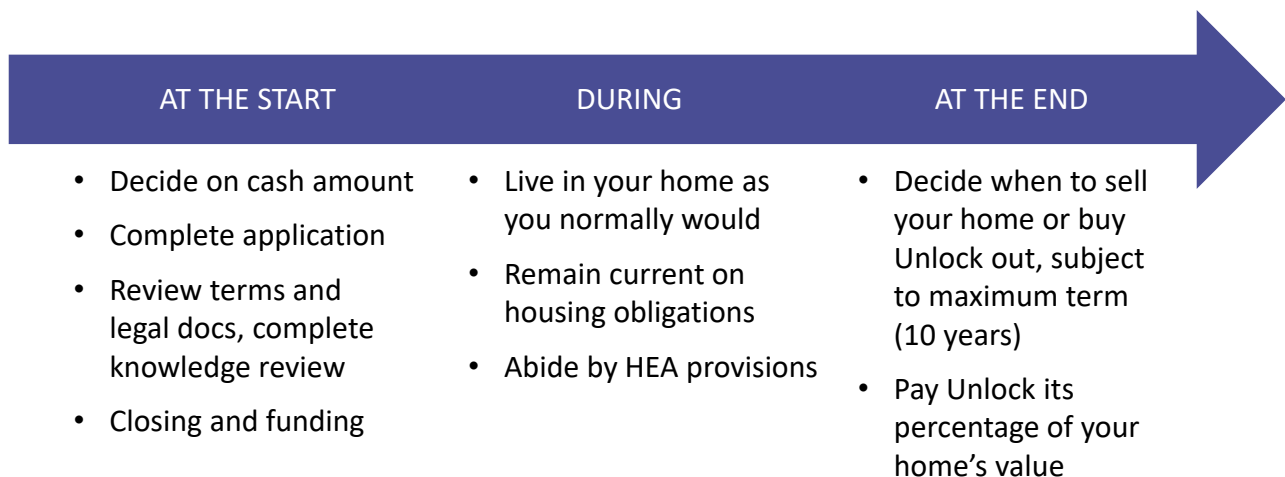
At the end of the Unlock HEA, we will receive our percentage share of your home's value. Let's continue with the example from above.

- Your home's value at the start is \$1,000,000, and Unlock provides you with \$100,000 in exchange for 20% of your home's future value.
- You decide to sell your home ten years later, and it has increased in value by 20%, to \$1,200,000.

When your sale closes, the payment to Unlock is \$240,000, calculated simply as Unlock's percentage of the home's value at the time the HEA ends.

$$\$1,200,000 \times 20\% = \$240,000$$

You have great flexibility in deciding how to end your Unlock HEA, either by selling your home or buying us out, subject to the maximum term of 10 years. You can buy us out at any time during the term, without any penalty. With a buy out there is no sale price, so the ending home value is determined by appraisal and the calculation of the payment to Unlock is the same. You can even buy us out partially, subject to certain restrictions.



### Important Requirements That May Apply

To help ensure an efficient closing of your Unlock HEA, please note these important requirements that may sometimes apply during the underwriting process:

- Depending on your circumstances, we may need your help in adding Unlock as a mortgagee and/or additional interest on your home insurance policy. This is typically not a difficult task.
- If you are legally married but your spouse does not co-own your home, your spouse will be required to sign a spousal consent form at the closing.



There's finally a way to unlock home equity without additional debt or monthly payments.

# Chapter 2: The Numbers



Unlock’s HEA was carefully designed to solve a big problem with a simple, widely available solution that is easy to understand. To do that we created an entirely new financial product based on a concept we call the Exchange Rate.

## The Exchange Rate

The Exchange Rate establishes the price of your Unlock HEA\*. We’ll see how by defining a few terms and doing some simple calculations.

- **Investment Payment** is the amount of cash you receive from Unlock.
- **Starting Home Value** is the value of your home at the start, typically based on an appraisal or other third-party valuation report.
- **Investment Percentage** is the amount of cash you receive from Unlock expressed as a percentage of the Starting Home Value.
- **Exchange Rate** is the price of your Unlock HEA\* (typically 2.0).
- **Unlock Percentage** is the portion of your home’s future value that you will share with Unlock at the end.

If we assume an Investment Payment of \$100,000 and a Starting Home Value of \$1,000,000, the Investment Percentage will be 10%. If the Exchange Rate is 2.0, the Unlock Percentage will be 20%. Here are the simple calculations:

$$\frac{\text{Investment Payment}}{\text{Starting Home Value}} = \text{Investment Percentage} \times \text{Exchange Rate} = \text{Unlock Percentage}$$

$$\frac{\$100,000}{\$1,000,000} = 10\% \times 2.0 = 20\%$$

The Exchange Rate is the essence of the Unlock HEA, and we can boil it down to something really simple.

*Unlock gives you 10% of your home’s current value in exchange for 20% of your home’s future value.*

As you learn about the Unlock HEA it will be useful to get familiar with its terminology. Over the course of this chapter we will define the terms listed below. In the Product Guide, whenever a term is defined we will highlight it **in bold text**.

- Investment Payment
- Starting Home Value
- Investment Percentage
- Exchange Rate
- Unlock Percentage
- Origination Fee
- Ending Home Value
- Unlock Share
- Annualized Cost
- Annualized Cost Limit

	Situation	Exchange Rate	Investment Percentage	Unlock Percentage
<p>Note that the Exchange Rate is not always 2.0. It can vary depending on the situation. To the right are some Exchange Rate examples assuming a 10% Investment Percentage. Your Exchange Rate will be determined when we underwrite your application. See the Appendix for more information about the Exchange Rate.</p>	Base Pricing For Owner Occupied Homes	2.0	X 10%	= 20%
	Base Pricing For Rental Homes & Increased Risk For Owner Occupied	2.05		= 20.5%
	High Risk	2.1		= 21%
	Higher Risk**	2.15		= 21.5%

\* Subject to the Annualized Cost Limit, which can also establish price, as we will see later in this chapter.

\*\* Certain high risk transactions may price above 2.15.

## Choosing Available Cash And Unlock Percentage

Depending on your circumstances (including home value, existing mortgage debt, occupancy status, credit score and other factors) and our guidelines, a maximum amount of cash will be available from the Unlock HEA. You can choose the amount of your Investment Percentage within that limit. Regardless of the Investment Percentage you choose, the Unlock Percentage is calculated the same way, as shown in the table.

There are also a few other guideline restrictions which can impact how much cash may be available:

- Maximum Investment Payment: \$500,000
- Minimum Investment Payment: \$30,000
- Maximum Starting Home Value: \$3,000,000
- Minimum Starting Home Value: \$175,000
- Maximum Unlock Percentage: 70%

Exceptions may be available. We do our best to be flexible.

## Upfront Expenses

As in most real estate transactions, with the Unlock HEA there are typical upfront third-party expenses, such as appraisal, inspection, title, escrow, credit and recording fees. You will either pay these directly or reimburse Unlock for any fees incurred by us on your behalf during the process. There is also an **Origination Fee** equal to 4.9% of the Investment Payment. This offsets a portion of the costs we incur to process and administer your HEA. The Origination Fee on a \$100,000 investment is \$4,900, and third-party expenses might add up to about \$2,000, so net cash proceeds at closing might be approximately \$93,100. More detail about upfront expenses is provided in the Appendix.

Unlock may pay referral sources for introducing customers. Any such payment will be disclosed to you, will be paid by Unlock, and will not impact the pricing or terms of your HEA.

Choosing Terms That Are Right For You		
Investment Percentage	Exchange Rate	Unlock Percentage
5%	X 2.0	= 10%
10%	X 2.0	= 20%
20%	X 2.0	= 40%
35%	X 2.0	= 70%

If your Exchange Rate is 2.0, for every 1% of your home's value you receive from Unlock at the start, we will share in 2% of your home's future value when you choose to end the HEA.\*

## Transaction Examples

In the next few sections we'll go into more detail about the calculations that apply when your Unlock HEA ends. The examples are based on the following assumptions:

- Starting Home Value is \$600,000
- You choose an Investment Payment of \$60,000, which is 10% of your home's value
- Your Exchange Rate is 2.0, so your Unlock Percentage is 20% (10% X 2.0)

### Example 1 – Home Value Increases

Let's assume you decide to sell your home ten years later, and its value has increased by an average of about 3% per year, to \$806,000. We call this the **Ending Home Value**. At closing, Unlock's share of the sale proceeds (called the **Unlock Share**) is calculated as:

$$\begin{array}{rcccc} \textit{Ending Home Value} & \times & \textit{Unlock Percentage} & = & \textit{Unlock Share} \\ \$806,000 & \times & 20\% & = & \$161,200 \end{array}$$

### Example 2 – Home Value Decreases

Again we'll assume you sell ten years later, but this time your home's value has decreased by 10% to \$540,000. The Unlock Share is calculated as:

$$\begin{array}{rcccc} \textit{Ending Home Value} & \times & \textit{Unlock Percentage} & = & \textit{Unlock Share} \\ \$540,000 & \times & 20\% & = & \$108,000 \end{array}$$

### Example 3 – Home Value Unchanged

Here we'll assume you sell ten years later and your home's value is \$600,000. The Unlock Share is calculated as:

$$\begin{array}{rcccc} \textit{Ending Home Value} & \times & \textit{Unlock Percentage} & = & \textit{Unlock Share} \\ \$600,000 & \times & 20\% & = & \$120,000 \end{array}$$

As a general principle, the higher the Ending Home Value the more the Unlock HEA costs, and the lower the Ending Home Value the less it costs.

## Cost Comparison: HEA Versus Loan

Our customers sometimes ask “*how much will my HEA cost and how does that compare to a loan?*” That’s an interesting question. If we were asking about the cost of a home equity loan or line of credit, a simple answer might be “*my loan will cost me 10% per year*” and with a personal loan or credit card cash advance (and assuming sub-600 FICO) it might be “*my loan will cost me 28% per year.*” **But the Unlock HEA is not a loan, so it has no interest rate.** So how do we answer the question?

Here’s a solution: we can calculate an estimated **Annualized Cost** for the HEA, which is expressed as a rate of investment return that can be compared to the interest rate on a loan. We’ll demonstrate this by referring back to Examples 1, 2 and 3 on the previous page and calculating the Annualized Cost for each.

HEA Annualized Cost				
	Cash Received From Unlock At The Start (Investment Payment)	Term Length	Cash Paid To Unlock At The End (Unlock Share) (see previous page)	Annualized Cost
Example 1	\$60,000	Ten Years	\$161,200	10.39%
Example 2			\$108,000	6.05%
Example 3			\$120,000	7.18%

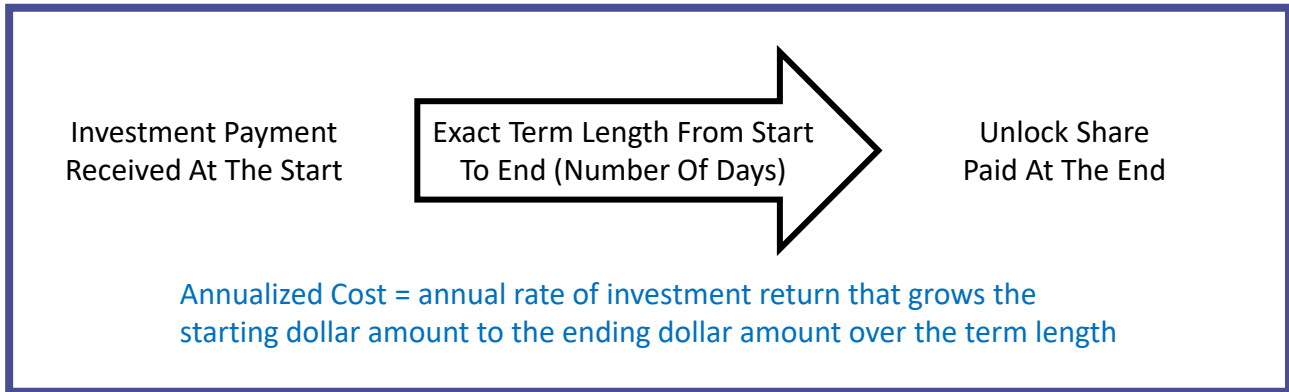
What is the table above telling us? In all three examples, you received \$60,000 from Unlock at the start and the term length was ten years. In Example 1 you paid Unlock \$161,200 at the end, so the money cost 10.39% per year over the ten-year period. In Example 2 you paid Unlock \$108,000 at the end, so the money cost 6.05% per year over the ten-year period. In Example 3 you paid Unlock \$120,000 at the end, so the money cost 7.18% per year over the ten-year period.

The Annualized Cost is the annual rate of investment return that grows the Investment Payment received at the start to the Unlock Share paid at the end, over the assumed term length. Here’s a useful way to understand the concept. Imagine putting \$60,000 into a savings account at a bank and leaving the money there for exactly ten years.

- If the savings account paid 10.39% annual interest, at the end of year ten you would have \$161,200 (see Example 1).
- If the interest rate was 6.05%, at the end of year ten you would have \$108,000 (see Example 2).
- If the interest rate was 7.18%, at the end of year ten you would have \$120,000 (see Example 3).

At the start of the HEA we will know the exact Investment Payment amount, but we will not know the exact term length (years, months and days) or the exact amount of the Unlock Share to eventually be paid at the end (since it is based on future home value). Therefore, actual Annualized Cost cannot be calculated up front. But it can be estimated based on assumptions, as we show in our examples. In general, the larger the Unlock Share payable at the end, the higher the Annualized Cost, and the smaller the Unlock Share, the lower the Annualized Cost.

As we will see in the next section, term length is also a big factor in calculating Annualized Cost. In general, the shorter the term length, the higher the Annualized Cost, and the longer the term length, the lower the Annualized Cost.



Annualized Cost can be a useful way to compare the HEA to a loan, but it is not an entirely “apples to apples” comparison, since you must make payments every month on the loan, whereas with the HEA there are no monthly payments and the entire cost is typically deferred until the end.

### Annualized Cost Limit

Now that we know how to calculate Annualized Cost, we can demonstrate another important feature of the HEA: the **Annualized Cost Limit**. This will also demonstrate the impact of a shorter term length on Annualized Cost.

We’ll do one more example, using the same assumptions: \$600,000 Starting Home Value and a \$60,000 Investment Payment (10% of Starting Home Value) in exchange for a 20% Unlock Percentage. But this time, instead of a ten-year term length, we’ll assume you sell your home after one year, and your home’s value has increased by 3% to \$618,000. As usual, we’ll calculate the Unlock Share by multiplying the Ending Home Value by the Unlock Percentage.

$$\begin{aligned}
 \text{Ending Home Value} & \times \text{Unlock Percentage} & = & \text{Unlock Share} \\
 \$618,000 & \times 20\% & = & \$123,600
 \end{aligned}$$

At the start you received \$60,000. If you paid Unlock \$123,600 one year later your HEA would have an Annualized Cost of 106%. That’s because the Exchange Rate creates a higher Annualized Cost in early years that decreases significantly over time. To offset the higher cost in early years your Unlock HEA will specify an Annualized Cost Limit, which is typically set at 19.9%\*.

The Annualized Cost Limit acts as a cap on the cost of your HEA. Whenever the calculated Annualized Cost exceeds the Annualized Cost Limit, the Unlock Share is automatically reduced. In the example above, if your Annualized Cost Limit was set at 19.9%, instead of paying Unlock \$123,600 from the sale proceeds you would pay \$71,940 (calculated by applying the 19.9% Annualized Cost Limit to the \$60,000 Investment Payment for a term length of one year).

The Annualized Cost Limit is a component of the pricing of your Unlock HEA, along with the Exchange Rate. If the Annualized Cost Limit applies when your Unlock HEA ends, the Annualized Cost Limit will determine cost. If the Annualized Cost Limit does not apply when your HEA ends, the Exchange Rate will determine cost.

\* The Annualized Cost Limit varies based on the circumstances of each transaction. Your Annualized Cost Limit will be determined in underwriting and will be specified in your Investment Closing Statement.

The table below displays Ending Home Value, Calculated Unlock Share, Actual Unlock Share and Annualized Cost calculations for term lengths from one to ten years based on the following assumptions:

- Starting Home Value of \$600,000 and Investment Payment of \$60,000 (10% of home value)
- Exchange Rate of 2.0 and Unlock Percentage of 20% (10% X 2.0)
- Home price appreciation of 3% for each of the ten years
- Annualized Cost Limit of 19.9%

Term Length	Ending Home Value*	Calculated Unlock Share**	Actual Unlock Share***	Annualized Cost
1	\$618,000	\$123,600	\$71,940	19.90%
2	\$637,000	\$127,400	\$86,256	19.90%
3	\$656,000	\$131,200	\$103,421	19.90%
4	\$675,000	\$135,000	\$124,002	19.90%
5	\$696,000	\$139,200	\$139,200	18.33%
6	\$716,000	\$143,200	\$143,200	15.60%
7	\$738,000	\$147,600	\$147,600	13.72%
8	\$760,000	\$152,000	\$152,000	12.32%
9	\$783,000	\$156,600	\$156,600	11.25%
10	\$806,000	\$161,200	\$161,200	10.39%

\* Rounded to the nearest \$1,000. \*\* Ending Home Value X 20% Unlock Percentage.

\*\*\* Capped by the 19.9% Annualized Cost Limit; and where the limit applies, calculated by applying a 19.9% annual return to the \$60,000 Investment Payment for the specified term length.

As you can see (highlighted in green), in years 1 through 4 the Unlock Share is capped by the 19.9% Annualized Cost Limit. In years 5 through 10, the Unlock Share equals 20% of the Ending Home Value.

With the Unlock HEA the cash you receive will never cost more than your specified Annualized Cost Limit, no matter when the HEA ends.

More information about Annualized Cost and Annualized Cost Limit, including the formulas used to calculate them and tables which provide calculations for various future home price scenarios, can be found in the Appendix.



### Some Final Thoughts On The Cost Of Your HEA

- If you expect to end your Unlock HEA within the first few years, your Annualized Cost will likely equal the Annualized Cost Limit. Regardless of when your HEA ends, your Annualized Cost can never exceed the Annualized Cost Limit.
- If your HEA goes beyond the first few years, Annualized Cost can't be known in advance since we don't know exactly when your HEA will end and what your home will be worth in the future. This is fundamentally different from a loan. What we can do is make assumptions, as shown in our examples. We provide tables and tools to help you to consider various future scenarios.
- The cost of your Unlock HEA is all paid at the end, versus a loan for which the cost is paid along the way. This is also fundamentally different from a loan. For many people, this is very valuable.
- The HEA may be the least expensive choice. Interest rates on a home equity line of credit or cash-out refinance may be attractive, but many of our customers don't qualify for those products. For those with damaged credit, personal loan rates can exceed 20% and range up to 30% or more, and credit card cash advance rates can range up to 25% or more. Hard money loans can range from 12-20% and may have only a one or two-year term.
- The HEA does not appear on your credit report so it does not negatively impact your credit score like a loan can. In fact, many of our customers use the HEA to pay off debts and that can lead to a rapid and significant credit score improvement.

### Distribution Of Sale Proceeds

Let's take a quick look at how sale proceeds are distributed when you sell your home. We'll assume the following:

- Starting Home Value is \$600,000. You choose an Investment Payment of \$60,000, which is 10% of your home's value. Your Exchange Rate is 2.0, so your Unlock Percentage is 20% (10% X 2.0).
- You have one mortgage on your property with a remaining balance of \$300,000.
- You sell your home seven years later for \$750,000. The Unlock Share is 20% of that amount, or \$150,000.

Proceeds from a home sale are typically distributed by the escrow company in the following order:

1. Selling expenses are paid first, including realtor commissions and escrow fees. This can typically add up to about 6-9% of the sale price. We'll assume 7%.  $\$750,000 \times 7\% = \$52,500$ .
2. The remaining balance on your mortgage is paid next. We'll assume that after seven years of monthly payments your loan balance has declined from \$300,000 to \$250,000.
3. The Unlock Share of \$150,000 is paid next.
4. You receive the remainder of the sale proceeds, which is \$297,500.

Distribution of Sale Proceeds				
Sale Price	7% Selling Expenses	Loan Balance	Unlock Share	Owner Net From Sale
\$750,000	- \$52,500	- \$250,000	- \$150,000	= \$297,500



# Chapter 3:

## Living With Your Unlock HEA



When you enter into an Unlock HEA you agree to observe certain requirements that are intended to preserve your home's value. This chapter contains a summary of those requirements.

Terminology defined here:

- Total Home Finance Limit
- Administration Fees

### Occupancy And Use

You will enjoy sole right of occupancy during the term of the HEA. Unlock has no occupancy rights.

You will declare your occupancy intention in your application as one of the following:

- Principal Residence: defined as principal living and sleeping residence that you occupy for at least 180 days in every 365-day period
- Second Home: an owner-occupied second home
- Rental Property: rented to a tenant and not occupied by you\*

In the world of real estate investment, it is generally well known that a second home or rental property is a riskier investment than a principal residence. Therefore, if the subject property is not your principal residence, the Exchange Rate for your Unlock HEA may be higher (typically 2.05 or more), and the Total Home Finance Limit (as described later in this Chapter 3) for your Unlock HEA may be lower.

If your occupancy starts out as principal residence and you convert to a second home or rental property during the term, to offset the increased risk Unlock may lower the Total Home Finance Limit to what it would have been if you had originally declared your occupancy as a second home or rental property.\*

If the subject property is your principal residence or a second home, you may rent a portion of it (such as a bedroom, attic or basement) whenever you want, as long as it remains your principal residence or second home and not a rental property.\*

At the time your Unlock HEA ends, if there is an existing rental agreement or tenant in place that is negatively impacting the Unlock Share, you will be responsible for terminating the rental agreement or removing the tenant from your home, or you will otherwise compensate Unlock for any loss.

You cannot use your home other than as a residential property or permit any commercial use of your home except as a "home office". Your use and occupancy of your home must remain fully compliant with all state, federal and local laws, zoning ordinances, and regulations, including environmental prohibitions.

### Keeping Your Home In Good Repair

To preserve your home's value, you are required to keep it in good condition (subject to ordinary wear and tear). All home repairs should be made in accordance with local building ordinances. If you fail to maintain your property, or a significant defect or condition on your property is not addressed during the term of your Unlock HEA, a Maintenance Adjustment may apply when your HEA ends. More about this in Chapter 4.



### Staying Current On Your Payments

You must promptly pay your mortgage, property taxes, property insurance and any other housing obligations, such as homeowners association or condominium fees.

\* Unlock may not offer the HEA on rental properties in certain areas. If rental properties are not allowed, conversion to a rental and/or renting a portion of a property are also not allowed..

## Maintaining Insurance

Our insurance requirements are similar to what is typically required by a mortgage lender. The Unlock HEA requires you to maintain hazard insurance equal to the replacement cost of your home. You must increase your coverage when replacement costs rise. Your policy must include fire and other hazards in coverage amounts that are typical for similar homes in your area. If your home is located in a flood zone, you will need to have flood insurance, and there may be other location-specific insurance requirements.

Unlock must be named on all property insurance policies as a “mortgagee” and/or “additional interest” throughout the term of the HEA, even if the insurance carrier changes. Adding us as a loss payee to your insurance policies is a simple process that is handled by your insurance provider.

If there is damage to your home that materially affects its value during the term of the Unlock HEA, you will be expected to make an insurance claim and restore or repair the Property to its previous condition. If the property was underinsured, you must pay for the restoration or repair out of your other assets.

## Observing The Total Home Finance Limit

Unlock wants you to have significant equity in your home during the term of the HEA. This protects the value of your equity stake in the home and Unlock’s investment. The HEA therefore contains a provision called the **Total Home Finance Limit**, which limits the amount of financing that can be secured by your home to a percentage of its value. The limit is typically set at 80% or 85% for a principal residence and 75% or 80% for a second home or rental property, but it can vary based on circumstances. Your Total Home Finance Limit will be determined when we underwrite your application.

The limit applies to all outstanding mortgage loan balances, any available but undrawn credit lines secured by your home (for example, a home equity line of credit) and the value of the Unlock Share, assuming no Annualized Cost Limit. It does not apply to any financing that is not secured by your home, such as credit cards, car loans or personal loans. If your occupancy starts out as principal residence and you convert to a second home or rental property during the term, the Total Home Finance Limit may be lowered accordingly.

You are generally free to borrow against your home during the term of your HEA, and we will subordinate our lien to the new loan, as long as you don’t exceed the Total Home Finance Limit. We will not typically consent to a reverse mortgage, shared appreciation loan, or any loan with a negative amortization feature. If the value of your home has declined during the term of the Unlock HEA, we may refuse to subordinate to new or modified debt if the total amount of debt on the property will increase as a result.

If you get a new loan or refinance an existing one, we may charge a reasonable **Administration Fee** for processing the subordination of our lien to the new debt, and you will pay any related third-party expenses, such as a recording fee.

Unlock will typically subordinate to new loans subject to the Total Home Finance Limit, but we cannot guarantee that a lender will lend on a property with an Unlock HEA to the same extent or on the same terms as they would for a property without an Unlock HEA. It is possible that you will need to terminate your HEA in order to complete a future home loan.

More information about the Total Home Finance Limit, including a numerical example, can be found in the Appendix.

	Outstanding Balances Of All Mortgage Debt & Credit Lines
+	Undrawn Balances Of Any Secured Credit Lines
+	Value Of Unlock Share <i>Assuming no impact of Annualized Cost Limit</i>
=	Total Home Finance
	<i>Will then be expressed as a percentage of home value and cannot exceed the Total Home Finance Limit as specified in your HEA</i>

## Regarding Title, Ownership And Unlock's Lien

The Unlock HEA allows you to hold title to your property in the name of a revocable inter vivos family trust if at least one trustor resides in the home as their primary residence, and all trustees and trustors sign the HEA in such capacities and as individuals. Note that title cannot be held by a corporate entity, such as an LLC.

Life events may occur during the term of your Unlock HEA that require changes to title or ownership of your home, or to Unlock's lien. We will help you manage such changes as they relate to the HEA, including:

- Placing your home in a family trust
- Adding or removing one or more persons from the title of your home
- Subordinating to a new loan approved by Unlock

Depending on the type and amount of work required to accommodate the changes, there may be a reasonable Administration Fee charged, and you will pay or reimburse Unlock for any third-party expenses related to the work.

## Informing Unlock About Changes

You are required to promptly notify us of any developments that could have a material impact on your home or our rights under the Unlock HEA, including:

- Your decision to sell or transfer your home, or receiving an offer to purchase your home
- A non-signatory to your Unlock HEA becomes an owner or a principal resident of your home
- Any lien is placed on your home
- A change in occupancy status
- Filing for personal bankruptcy
- Failing to maintain required property insurance
- Falling behind on your mortgage or property taxes
- Significant property damage due to fire or some other hazard
- A condemnation of your home



# Chapter 4:

## Ending Your Unlock HEA



Your Unlock HEA will typically end when one of the following occurs:

1. You decide to sell your home
2. You decide to buy Unlock out
3. The last signatory to the HEA passes away
4. You reach the end of the maximum term

Terminology defined here:

- Improvement Adjustment
- Sharable Value
- Maintenance Adjustment
- Owner Buyout
- Partial Buyout

In this Chapter we'll summarize the process for each of these endings. But first we'll examine some special circumstances that can result in an adjustment to the Ending Home Value.

### Improvement Adjustment

Making home improvements is a great way to increase the value and enjoyment of your home. And as a partner in homeownership, we designed the Unlock HEA to be supportive of home improvement efforts.

If you make home improvements at your expense, and thereby increase your home's value, it makes sense that you should keep all of the value you create. To address that, the HEA contains a provision called the **Improvement Adjustment**. Here's an example.

- You enter into an Unlock HEA and soon after you improve your home by adding a new bedroom and upgrading a bathroom.
- At the end of year ten you sell your home for \$800,000 (the Ending Home Value).
- You request an Improvement Adjustment as part of the sale process. An appraiser determines that the improvements you made ten years ago added \$40,000 to the current value of your home.
- Unlock applies a \$40,000 Improvement Adjustment to the Ending Home Value. The Unlock Share is calculated based on a value of \$760,000 (we call this the **Sharable Value**).
- The result: Unlock does not share in any value created by your home improvements.

It is important to note that the cost of your home improvement project is not used to determine the amount of the Improvement Adjustment. The amount will equal the portion of your home's value that is attributable to your improvements at the time you sell. An independent third-party appraisal determines the amount of the Improvement Adjustment. To enable the appraiser to determine what increase in value of your property is attributable to your improvements, you must submit clear, detailed photographic evidence of your property in its "before" condition (and other evidence including building permits and descriptions of the project), so the appraiser can visually compare your improvements with the prior condition of your property.

Home improvement projects will sometimes increase the value of your home by less than what they cost. In some cases the added value can depreciate over time. For example, adding an additional room to your home may increase the value of your home by 80% or more of the cost of the project. Adding an in-ground pool might only increase value by 20% of its cost. A kitchen remodel may fully depreciate over a long period of time, as the appliances, countertops and cabinets wear out and the style becomes dated.

In order for your project to qualify for an Improvement Adjustment, you must comply with local building ordinances, including obtaining any required work permits. Improvement projects that in the aggregate have added less than \$10,000 to your home’s value may not qualify for an Improvement Adjustment.

A more detailed example of the Improvement Adjustment can be found in the Appendix.

## Maintenance Adjustment

During the term of the Unlock HEA it is your responsibility to maintain your home in good condition, subject to normal wear-and-tear. Unlock makes its investment under the assumption that you will honor this obligation. If you don’t, when the HEA ends your home’s value will most likely be less than it would have been if it had been properly maintained and that would negatively impact both of us.

To address that, the HEA contains a provision called the **Maintenance Adjustment**. It’s essentially the opposite of the Improvement Adjustment.

For example, if you decide to sell your home 10 years after entering into an Unlock HEA and the Ending Home Value is \$40,000 less than it should be due to extensive termite damage, we would have the right to make a Maintenance Adjustment. For purposes of calculating the Unlock Share, the Ending Home Value would be adjusted upward by \$40,000 (to arrive at the Sharable Value), so Unlock would not share in the loss.

Unlock determines the amount of the Maintenance Adjustment based on independent third-party appraisals, inspections and repair estimates. Typically, no Maintenance Adjustment will apply unless the aggregate cost of the required repairs is at least \$10,000.

	Improvement Adjustment	Maintenance Adjustment
What Happened During The Term	You made home improvements which increased your home's value	You did not properly maintain your home, which decreased its value
The Spirit Of Our Agreement	You paid for the improvements; you should keep all of that additional value	Unlock invests assuming you will maintain the home; we are negatively impacted if you don't
What Happens When The HEA Ends	Improvement Adjustment decreases Ending Home Value	Maintenance Adjustment increases Ending Home Value
Result	Unlock does not share the value added by your improvements	Unlock does not share the value lost by improper maintenance

You can think of the Improvement Adjustment and Maintenance Adjustment as flip sides of the same coin. In each case, something happened during the term; the resulting adjustment preserves the spirit of our agreement.

In some cases there can be both an Improvement Adjustment and Maintenance Adjustment applied to the Ending Home Value.

$$\text{Ending Home Value} - \text{Improvement Adjustment} + \text{Maintenance Adjustment} = \text{Sharable Value}$$

A more detailed example of the Maintenance Adjustment can be found in the Appendix.

Unlock may require an upfront home inspection as a condition to entering into the HEA. The inspection may occasionally reveal defects or conditions which could worsen over time and significantly and negatively impact the property’s future value and desirability. Unlock may choose to note these defects and conditions in a **Maintenance Addendum** to the HEA and reserve them for the application of a Maintenance Adjustment if they are not corrected during the term.

A Maintenance Adjustment may also be applied if a home declines in value as the result of a significant defect or condition in the property which the owner knew or should have known about before or during the term but which was not disclosed to Unlock.



## Selling Your Home

You have the right to sell your home whenever you want. You'll need to notify Unlock as soon as you decide to sell and provide us with all related documentation. If you are going to request an Improvement Adjustment you need to inform us and provide the supporting evidence of its "before" condition.

To calculate the Unlock Share we need to determine the Ending Home Value. Typically, the Ending Home Value is equal to the sale price to a bona fide, arms-length, third party buyer. It includes the fair market value of any non-cash consideration (such as a seller concession), and does not include deductions for closing costs, taxes, documentary fees, mortgage loans, other liens or secured loans, sales commissions, or appraisal expenses.

After we receive notice of your intent to sell, we may decide to obtain a third-party appraisal. In addition to providing an independent measure of your home's value, an appraisal will be needed if you have requested an Improvement Adjustment. We will also typically obtain a property inspection to determine if a Maintenance Adjustment might be required. Special provisions may apply if it appears that your sale is not arms-length or the proposed sale price is materially different from your home's market value.

Once the Ending Home Value and Sharable Value are determined, we will provide the escrow company with a settlement statement including the exact amount of the Unlock Share and documents needed to release our lien on the property. At the closing of your sale, the escrow company will pay us the Unlock Share out of the sale proceeds and release our lien, ending the Unlock HEA. How much you will receive from the sale will depend on the amount payable to us, the outstanding balances of any loans secured by your property, and real estate commissions and other costs associated with the sale of your home.

## Owner Buyout

At any time during the term of your Unlock HEA, you have the right to end it without selling your home, by buying Unlock out. We call this an **Owner Buyout**. You start the process by submitting an Owner Buyout Request at least 60 days ahead of the desired closing date. There is no prepayment penalty.

The calculation and payment of the Unlock Share is just like with a home sale (including being subject to the Annualized Cost Limit), but since there is no sale price available to determine Ending Home Value, it is determined based on an independent third-party appraisal. The appraisal will determine the amount of an Improvement Adjustment, if you have requested one. We will obtain a property inspection to determine if a Maintenance Adjustment might be required.

Once the Ending Home Value and Sharable Value are determined, we will engage an escrow company and provide a settlement statement including the exact amount of the Unlock Share and documents needed to release our lien on the property. You will wire funds to the escrow company to pay the Unlock Share and all transaction costs. At the closing, the escrow company will pay us the Unlock Share and release our lien, ending the Unlock HEA.

If you qualify for a mortgage loan, you may be able to pay some or all of the cost of an Owner Buyout by refinancing your mortgage or obtaining an additional loan against your property. Since the Owner Buyout would end your Unlock HEA, the Total Home Finance Limit described in Chapter 3 would no longer be a restriction.

## Partial Buyout

To provide even more flexibility, you can request a **Partial Buyout** at any time during the term of your Unlock HEA. The process and calculations are essentially the same as with an Owner Buyout except you identify your intention as partial and let us know what portion of your HEA you want to buy out.

All Partial Buyouts are subject to Unlock approval, which will not be unreasonably withheld. There is technically no limit to the number of Partial Buyouts you can do during the term as long as you are willing to pay for the required appraisal each time (and a home inspection, if needed), but Unlock may decline a Partial Buyout if the remaining Unlock Percentage would be less than 25% of the original Unlock Percentage. Here's an example:

- You enter into an Unlock HEA
  - Starting Home Value is \$500,000
  - You receive an Investment Payment of \$60,000, which is 12% of your home's value
  - The Exchange Rate is 2.0, so your Unlock Percentage is 24% ( $12\% \times 2.0$ )
- Six years later you request a Partial Buyout for half of your HEA
  - Unlock approves your request
  - Let's assume Ending Home Value for purpose of the Partial Buyout is established by appraisal at \$600,000. Half of your Unlock Percentage is 12%. The payment needed to buy out half of your HEA is therefore \$72,000 ( $\$600,000 \times 12\%$ )
  - Upon making this payment, your Unlock Percentage is reduced from 24% to 12% and your Unlock HEA continues

## Death Of The Last Signatory

At the start of the Unlock HEA, all owners of the property (as reflected on title) are required to be signatories. If you die during the term of your HEA and you are survived by a spouse or other co-owner of your property who is also a signatory to the HEA, the HEA will continue unaffected.

If you die and you are not survived by anyone else who is a signatory, your heirs or estate will be required to settle the HEA by either selling the home or doing an Owner Buyout. For this reason, it is very important that you discuss your decision to enter into the Unlock HEA with your heirs and executor during your lifetime. They should understand the effect the HEA can have on your estate, and if you add a spouse or domestic partner onto title to your property during the term of your HEA, you should notify Unlock so that person can become a signatory.

If your heirs prefer to settle via Owner Buyout, and if they qualify for a mortgage loan, they may be able to pay some or all of the cost of the Owner Buyout by refinancing the mortgage or obtaining an additional loan against the property. Since the Owner Buyout would end your Unlock HEA, the Total Home Finance Limit described in Chapter 3 would no longer be a restriction. If your heirs are unable to pay the cost of an Owner Buyout, they will need to sell the property in order to settle the HEA.

The Unlock HEA automatically provides your heirs or estate with a 180-day period during which to settle. Unlock may provide an additional 180 days to complete a sale process if that is the chosen settlement method.

## Maximum Term

The maximum term of the Unlock HEA is 10 years. If you are still in your home at the end of the term, you will be required to settle your HEA. Unlock will provide notice to you at least 180 days prior to the expiration date. You can choose to sell your home or do an Owner Buyout. You must give notice to Unlock of your intended settlement method at least 90 days before expiration.

If you qualify for a mortgage loan, you may be able to pay some or all of the cost of an Owner Buyout by refinancing your mortgage or obtaining an additional loan against your property. Since the Owner Buyout would end your Unlock HEA, the Total Home Finance Limit described in Chapter 3 would no longer be a restriction.

## Settlement Expenses

You will pay all third-party transaction expenses associated with any Settlement Event, unless paid by Unlock or a buyer of the Property, including appraisal, inspection and closing costs, which can include recording fees, reconveyance fees, escrow fees, title report and insurance fees, federal, state, local and documentary transfer taxes and sales commissions. We may charge a reasonable **Administration Fee** for processing your Settlement Event.

## Quarterly Statements

During the term of your Unlock HEA, you will receive quarterly statements from Unlock which will provide an estimate of your home's current value and an estimate of the Unlock Share assuming you were to sell your home or do an Owner Buyout at that time.

## Other Ways The HEA Can End

There are a few highly unusual circumstances under which the Unlock HEA can end:

- The property is badly damaged by fire or other hazard and not rebuilt.
- The property is condemned.
- As a result of a material and uncured default by you.

More information about each of these can be found in Chapter 5 or the Appendix.



# Chapter 5: Additional Details



## The Legal Documents

What's under the hood of the Unlock HEA? In legal terms, it is a “forward sale and exchange agreement” consisting of two related legal documents.

### 1. Exchange Agreement

This is the primary document. It contains all of the financial terms, conditions, requirements, rights, responsibilities and protections, and it defines the various ways in which the HEA can end.

### 2. Security Instrument

This document creates a secured lien on the home during the term. It is recorded in the jurisdiction where the property is located and is typically subordinate to any existing mortgage on your property. It also highlights specific features of the HEA for public notice.

Terminology defined here:

- Protective Advance
- Non-Distressed Sale
- Unpaid Owner Obligations
- Settlement Payment

You are urged to carefully review the Unlock HEA legal documents and other materials with your financial, tax and legal advisors, and family members. Your Unlock Home Equity Consultant will be happy to discuss the HEA with them as well, at your request.

## Appraisal And Inspection Standards And Procedures

Determining Starting Home Value and property condition are required during the underwriting of your Unlock HEA. For any termination of the HEA, your home's value and condition must also be determined, and this may include calculating the amount of an Improvement Adjustment or Maintenance Adjustment. Objectivity and accuracy of the appraisal and inspection process is thus fundamental to the Unlock HEA, and we are committed to those goals in our standards and procedures, including the following:

- Appraisers and inspectors must be neutral third parties unaffiliated with either of us
- Appraisers must comply with the Uniform Standards of Professional Appraisal Practice, all applicable federal or state laws and regulations, and satisfy the requirements of Fannie Mae, Freddie Mac or FHA
- Inspectors must be experienced experts in the local community and be licensed where required

In support of these goals, Unlock requires homeowners to cooperate with appraisers and inspectors by:

- Granting full and prompt access to the property
- Making all relevant documentation available
- Ensuring that the home is presented in reasonable condition to be appraised or inspected

Appraisals will typically be ordered by Unlock through an appraisal management company or third-party appraiser, and inspections will be ordered by Unlock through a local inspection company. In some cases, alternative property valuations may be obtained from independent third parties, such as a Broker Price Opinion or AVM (Automated Valuation Method) instead of or in addition to a traditional appraisal. Inspections are sometimes specialized, and more than one may be required (for example a general inspection plus a pest inspection or roof inspection). The homeowner is typically responsible to pay for the first appraisal and the first inspections ordered by Unlock in connection with the origination and any termination of the HEA or any calculation of the Unlock Share.

If either you or Unlock believes that an appraisal is factually incorrect, we may request a timely reconsideration of the appraisal, or an additional appraisal. Generally, the requesting party will bear the additional cost. The cost will be shared if both parties are requesting.

## Handling Disagreement

During the term of your Unlock HEA, there may be a situation where we disagree about something, such as an appraised value or the amount of an Improvement Adjustment or Maintenance Adjustment. Agreeing to accurate numbers is important to both you and Unlock, and we are committed to a fair process to determine them.

Should any disagreement arise, a simple two-step process may apply:

1. After reviewing appraisals, inspection reports, repair estimates and any other information used to determine the Ending Home Value or the amount of any Improvement Adjustment or Maintenance Adjustment, either party may request a reconsideration. One or more additional appraisals, appraisal reviews, alternative property valuations, inspection reports, or repair estimates may be obtained. Our goal is to obtain additional information if useful and have a constructive discussion resulting in a friendly agreement.
2. If we are still unable to agree in good faith, the issue will be determined through arbitration, which is a relatively easy and inexpensive process in which the relevant materials are provided to an independent, neutral arbitrator who makes the final determination.

## Default

If you default under your Unlock HEA, we may need to take action to protect our investment. In many cases our action will protect you as well. A default can result from a life event like a job loss or serious illness not within a homeowner's control. Occasionally a homeowner will simply violate the HEA, knowingly or unknowingly. Events of default include:

- Falling behind on your mortgage, property taxes or property insurance
- Allowing the condition of your home to deteriorate significantly or failing to restore your home to its previous condition after damage
- Taking on additional debt that exceeds the Total Home Finance Limit or permitting a lien on your home other than as agreed to by Unlock
- Violating home usage law such as using your home for commercial purposes or constructing an addition to your home in violation of zoning restrictions or without building permits
- Becoming insolvent or declaring bankruptcy
- Misrepresenting or omitting material facts when communicating with Unlock
- Attempting to sell or transfer your property except as permitted by the HEA
- Failing to settle the HEA at the end of its term

Not all defaults are serious enough to require action, but some are. We will notify you of any problem we are aware of that requires your attention. We will give you time to fix the problem before declaring default, unless in our judgment the problem can have an immediate and material impact. You can choose not to fix the problem, and instead settle your Unlock HEA.

In the highly unlikely case of a material and uncured default, Unlock may be forced to take action to protect its investment, including: 1) initiating a foreclosure proceeding on the property in accordance with applicable law; or 2) electing to convert the Unlock Percentage into fractional ownership and compelling the sale of the property. In either case, you would have ample further opportunity to fix the problem, but if you do not cure the default you could lose the property. If a default results in a foreclosure sale of the Property or other distressed situation, Unlock may use a “non-distressed” appraised value as Ending Home Value when calculating the Unlock Share.

We may charge Administration Fees and invoice you for all third-party expenses associated with a default (such as legal expenses), but only where such expenses are reasonable and customary, and subject to applicable law.

Foreclosure will always be a last resort. As co-investors in your home, in most cases our interests will be aligned, and we will first try other remedies to help you fix a problem, such as:

#### Protective Advances

If a default materially jeopardizes the value of the Unlock Share, we will have the right to take action to protect your home’s value. We can sometimes do this by making a **Protective Advance**, which is money that Unlock spends on your behalf. For example, if you fail to pay your property tax bill, we might decide to correct the problem by making a Protective Advance to pay it.

The Unlock HEA gives us the right to make Protective Advances when we deem necessary. You will always be responsible to repay any Protective Advances we make on your behalf, and you will typically be charged an Administration Fee when we make one. You may also be charged interest on the balance of any Protective Advance until it is repaid. This is the only circumstance in which interest is ever paid under the Unlock HEA.

#### Non-Distressed Sale

If you fall behind on your mortgage and the lender starts a foreclosure process, it’s in our best interest to help you get the best sale price possible for your home. To do this, Unlock might decide to offer you something called a **Non-Distressed Sale** which is designed to prevent your home from going to foreclosure and becoming a “distressed” property.

For example, we might offer to make a payment to the lender to bring the mortgage loan current, which would stop the foreclosure process, and then you and we, working together, would market your home for sale in the normal way. We might also make the monthly mortgage payments on your behalf until the sale closes. This can help preserve your home’s value so it can be sold for the maximum possible price. It can also protect your credit since you would not have a foreclosure on your record. This feature is a good example of how our interests are aligned as co-investors in your home.

Note that Unlock is not obligated to offer a Non-Distressed Sale and would evaluate doing so based on the circumstances of the default, home value, Total Home Finance and other considerations. Any payments made by Unlock in connection with a Non-Distressed Sale would be deemed Protective Advances, and Unlock would have to right to charge Administration Fees and incur typical third-party costs at your expense.

## Administration Fees

Unlock will sometimes charge reasonable Administration Fees in connection with the handling of various events that can occur during the term of your HEA. We have already mentioned this in connection with processing a:

- Change to title
- Subordination in connection with new or refinanced debt
- Default, Protective Advance and/or Non-Distressed Sale

Administration Fees are payable when incurred. We understand that at certain times (such as in connection with a Non-Distressed Sale) cash might be tight, so Unlock might sometimes be willing to defer payment of Administration Fees until a later date, or even until the HEA ends.

Unlock's current Administration Fee Schedule can be found in the Appendix.

## Settlement Payment

Throughout this Product Guide we have referred to the payment you make to Unlock when the HEA ends as the Unlock Share. There can be circumstances in which the payment to Unlock can exceed the amount of the Unlock Share.

**Unpaid Owner Obligations** are the sum of any unpaid Administration Fees, appraisal expenses and inspection expenses, unreimbursed Protective Advances; unpaid interest, fees and other charges associated with Protective Advances; as well as any other amounts expended by Unlock to protect its rights or the value of the property in an event of default.

If there are any Unpaid Owner Obligations outstanding at the time the Unlock HEA ends, they must be repaid. The total amount due to Unlock is called the **Settlement Payment**, and it equals the Unlock Share plus any Unpaid Owner Obligations. Unpaid Owner Obligations are also payable at the time of a Partial Buyout.

## Tax Impact

It is our understanding that the cash you receive from us when you enter into an Unlock HEA should not be taxable at that time, and there should be typical real estate capital gains tax treatment when the HEA ends. But Unlock does not provide tax advice. Since each homeowner's tax situation is unique, you must consult with and rely on the advice provided by your tax advisor, not Unlock, for a full explanation of the tax impact of the Unlock HEA. Unlock does not make any representations or warranties concerning tax matters or the tax treatment of payments made or obligations owed under the Unlock HEA.





Home Equity  
Agreements solve  
problems that debt  
cannot solve.

Our mission is to Unlock the power of home equity to enrich people's lives.

We are committed to putting consumers on a path that leads to greater financial success and a sense of control of their own destiny.

We go beyond the transactional roots of most financial products to give consumers a roadmap for relief now and then offer ever-present help on what they can do next to enjoy a better future.

We will always do the right thing, one transaction at a time, and every homeowner will receive a complete education about the value and financial impact of our products. We're committed to honesty, transparency, empathy and accountability in all aspects of our business.

Thanks for your interest and the opportunity to serve your home finance needs.

Team Unlock

## Upfront Expenses

As with most real estate transactions, there are upfront expenses with an Unlock HEA, including fees payable to third parties and the Unlock Origination Fee. Each transaction is unique, so the types and amounts of expenses can vary greatly with the location and home value. It is difficult to provide exact figures prior to processing an application. Here we provide descriptions and estimated price ranges. Actual amounts may be higher or lower. Your transaction may not include all of the expenses outlined and/or it may involve additional expenses not detailed here. Some fees may be collected by Unlock on behalf of third parties and will therefore be listed as payments to Unlock at closing.

If we assume a Starting Home Value of \$1,000,000, an Investment Payment of \$100,000, no recording tax or mortgage tax is payable, no additional appraisal or inspection reports are needed, and no title insurance is required, the cost of closing the HEA might be \$7,100, as follows:

Appraisal and property inspection fees:	\$1,000
Title, settlement, recording and document fees:	\$1,200
Unlock Origination Fee:	\$4,900
Total upfront expenses:	\$7,100

The table below contains descriptions and typical amounts for the various expenses that may be applicable.

Item	Description	Amount
Appraisal Report	Paid to an independent third-party appraisal firm. Used to underwrite your application and determine Starting Home Value. In some cases two appraisals may be required. Exact cost will be quoted before scheduling. Alternative valuation reports (such as an automated valuation method (AVM) or broker price opinion (BPO) may sometimes be used instead.	Typically \$400-\$800 per appraisal; can be higher on expensive properties. Alternative valuation reports are typically less expensive.
Home Inspection Report	Paid to an independent third-party inspection firm. Used to underwrite your application and determine property condition. Properties with condition issues may require more than one inspection (such as a separate pest inspection). Exact cost will be quoted before scheduling.	Typically \$300-\$550 per inspection; can be higher on expensive properties.
Title Report and/or Title Insurance Premium	Paid to an independent title and escrow provider. Used to confirm ownership and pre-existing liens. Title insurance is not typically required. If it is, the premium will be based on home value and can vary based on the title company.	Title report is typically about \$100. If title insurance is required, the fee is based on home value and can cost \$300-\$1,000 or more.
Settlement and Escrow Fees and Recording or Mortgage Tax	Paid to independent vendors or the local government. May include, but are not limited to, the following: <ul style="list-style-type: none"> <li>- Settlement or Closing Fee</li> <li>- Notary Fee</li> <li>- Recording Fees</li> <li>- Courier/Delivery/Wire Fees</li> <li>- Recording and/or Mortgage Tax (can be City, County, State; not required in most jurisdictions)</li> </ul>	Typically \$1,200 or less if no recording or mortgage tax is required. (Note: These fees can vary; they are sometimes based on property value, and there may be additional taxes and fees in some jurisdictions.)
Unlock Origination Fee	Paid to Unlock. Offsets a portion of the underwriting, closing and administration costs of your Unlock HEA.	Typically 4.9% of the Investment Payment.

## Administration Fee Schedule

Unlock charges reasonable Administration Fees in connection with the handling of various events that can occur during the term of your HEA. Fee types and amounts are described below.

Description	Amount
Processing changes to Title <ul style="list-style-type: none"> <li>Addition or removal of HEA signatory</li> <li>Other changes to Title including change of Title to Trust</li> </ul>	\$300
Processing Protective Advances made by Unlock (per advance) due to: <ul style="list-style-type: none"> <li>Non-payment of property insurance, property taxes, mortgage or other obligation</li> <li>Deferred maintenance</li> </ul>	\$250 <sup>1</sup>
Processing Subordination Requests	\$300
Recording and Reconveyance (per document) <ul style="list-style-type: none"> <li>Release of lien</li> <li>Quitclaim deeds</li> <li>Other requested release documentation</li> </ul>	\$75
Processing a property sale, Owner Buyout or Partial Buyout	\$500
Administering an Event Of Default	\$500 - \$3500 (estimated) <sup>2</sup>

In addition to the fees itemized above, other out-of-pocket fees and costs which are paid by Unlock to third parties may be charged to you from time to time during the Term or upon a Settlement Event, including fees and costs related to title, legal, recording, and appraisal, whether incurred in connection with a default, a Settlement Event, or otherwise.

The above listed fees are estimates based on the current costs of the service provided. These fees are subject to change as the costs of providing any such services change. If a fee has changed at the time you request any one of the above services, a disclosure of the then-current charge will be provided. Please note that additional fees for expediting requests may apply.

1. Plus interest on amounts advanced, in accordance with the Unlock HEA.

2. The range of Administration Fees and/or Protective Advances which may be charged by Unlock in connection with an Event Of Default is an estimate only, given the difficulty of actually predicting the cost. As a result, the actual amount of such Administration Fees and/or Protective Advances may vary depending on the duration, and difficulty of resolution, of any given Event Of Default and may significantly exceed the estimate given here. Under no circumstances, however, shall Unlock charge any Administration Fees or Protective Advances in connection with an Event Of Default unless they are customary, reasonable, bona fide and actually incurred. Interest may be charged on such Administration Fees and/or Protective Advances, in accordance with the Unlock HEA.

## Unusual Situations

The Unlock HEA contains several provisions that are intended to address unusual situations. They are mentioned here to make sure you are aware of them.

### Condemnation

If your property is condemned in whole, condemnation proceeds will be allocated between you and Unlock as specified in the HEA and the HEA will end. If the case of a partial condemnation, your HEA may continue.

### Damage

If your property is damaged or destroyed by a hazard such as fire, all insurance proceeds will be applied to restore or repair the property to at least the same condition as of the time immediately preceding its damage or destruction. If the property was underinsured, you must pay for the restoration or repair out of your other assets. In situations where the property is restored, your Unlock HEA will continue. In situations where the property is not restored, the HEA will typically end.

If restoration or repair is not economically feasible, the insurance proceeds and remaining property value will be allocated between you and Unlock as specified in the HEA. We will be entitled to a share of the proceeds based on the market value of the home prior to the damage or destruction.

### Ensuring a fair sale price

The Unlock HEA contains safeguards to assure that your home is being sold for its fair market value. If Unlock believes that a proposed sale price differs materially from the fair market value of your home, we may require one or more appraisals or other valuation reports to validate the sale price. Under certain circumstances, we may require written assurances from you, your buyer, and the respective real estate brokers that your property sale is at arm's length, we may offer to buy the property at the proposed price, or we may use an appraised value to determine Ending Home Value and calculate the Unlock Share.

### Sale by owner, non-MLS sales and intra-family sales

You are not required to use a real estate professional to assist with your home sale. However, if you sell your home without placing it on the open market through the Multiple Listing Service (MLS) and we determine that you are selling for less than fair market value, we will have the right to use an appraised value to determine Ending Home Value and calculate the Unlock Share.

Unlock may also calculate the Unlock Share using an appraised value if you are selling to a family member in an "intrafamily sale" or if the buyer is a business entity rather than an individual person.

### Selling right after an Owner Buyout

If you sell your home within 180 days following an Owner Buyout, we reserve the right to determine how much we would have received from that sale. If the amount we received from the Owner Buyout is less, and Unlock concludes that you completed the Owner Buyout under circumstances indicating a lack of good faith and fair dealing, you will be responsible to pay us an additional amount equal to the difference.

## More About HEA Pricing (Exchange Rate and Annualized Cost Limit)

Why is the typical Exchange Rate 2.0 and why is the typical Annualized Cost Limit 19.9%? Great questions! This is how we price the HEA, and the pricing is intended to compensate our investors for the risks they take. It can be helpful to think about the risks by comparing the Unlock HEA with a mortgage loan.

Risk	Mortgage Loan	Unlock HEA
Type Of Investment Return	Interest, which is typically <b>locked in</b> at a known and fixed rate or margin.	Riskier: A large part of the HEA return is dependent on home price appreciation, which is <b>unknown and variable</b> , and may be zero or negative.
Timing Of Investment Return	Interest and Principal are <b>paid each month</b> so the loan balance declines over time.	Riskier: No monthly payments. Investment return is <b>deferred for up to 10 years</b> .
Lien Position	<b>First position.</b>	Riskier: <b>Typically second position.</b> In a default situation, the first lienholder receives 100% of the amount they are owed before a second lienholder can receive anything.
Property Condition	A lender is <b>largely insulated from this risk</b> due to their first lien position and declining loan balance.	Riskier: A lot can happen over many years. Property condition can significantly impact value which <b>can directly reduce Unlock's return</b> and, as a second lienholder, its ability to receive that return.

As you can see, the Unlock HEA is clearly riskier than a loan. By taking these risks, our investors enable Unlock to create the benefits that you enjoy: long term cash with no interest or monthly payments and a long and flexible settlement term. A typical Exchange Rate of 2.0 and Annualized Cost Limit of 19.9% fairly compensate investors for the risks.

Why do the Exchange Rate and Annualized Cost Limit vary? Another great question! No two transactions are identical. Unlock prices each deal individually based on its specific risks. You're already familiar with this concept if you've ever gotten a mortgage loan or used a credit card, where riskier borrowers pay higher interest rates and less risky borrowers pay less. At Unlock, rather than declining applications when risk is higher, we can approve them with a higher Exchange Rate and/or higher Annualized Cost Limit.

We'll determine your exact Exchange Rate and Annualized Cost Limit based on a number of factors, including those listed in the table below.

Risk	Detail
Property Type	Condominiums and townhomes are sometimes considered riskier than standalone single-family structures. Multiple unit homes (2-4 units) are typically considered riskier.
Pre-Existing Mortgage Debt	Higher amounts of debt typically create more risk, especially for a second lien holder like Unlock.
Property Location	Location is one factor that can determine home price appreciation, which impacts Unlock's investment return.
Occupancy Status	A principal residence is generally considered less risky than a second home or rental property.
Credit Profile	Lower FICO score and/or derogatory credit events are typically reliable indicators of higher default risk.

## Annualized Cost And Maximum Unlock Share Calculations

Here we will provide an example that further demonstrates Annualized Cost and the Annualized Cost Limit, including the formulas used to calculate the numbers. We'll use the following assumptions:

- The HEA is originated on May 12, with a Starting Home Value of \$600,000, an Investment Payment of \$60,000 (10% of home value), an Exchange Rate of 2.0 and an Unlock Percentage of 20% (10% X 2.0).
- The Annualized Cost Limit is set at 19.9%.
- The home is sold on September 28 of the following year. The home value has risen by 4% during the term from \$600,000 to \$624,000.

We'll start by calculating the Unlock Share.

$$\begin{aligned} \text{Ending Home Value} \times \text{Unlock Percentage} &= \text{Unlock Share} \\ \$624,000 \times 20\% &= \$124,800 \end{aligned}$$

Next we'll calculate Annualized Cost. To do that we need to know Term Days.

*Term Days = exact number of days that passed between the Effective date and Settlement Date*

Starting May 12 and ending September 28 of the following year results in a term of exactly 504 days. Now we can calculate Annualized Cost using this formula:

$$\begin{aligned} (\text{Unlock Share} / \text{Investment Payment}) \wedge (\text{365} / \text{Term Days}) - 1 &= \text{Annualized Cost} \\ (\$124,800 / \$60,000) \wedge (365 / 504) - 1 &= 70\% \end{aligned}$$

Whenever the calculated Annualized Cost exceeds the Annualized Cost Limit, the Unlock Share will be capped at an amount equal to the "Maximum Unlock Share". In this example, 70% is greater than 19.9%, so we will need to calculate the Maximum Unlock Share, using this formula:

$$\begin{aligned} \text{Investment Payment} \times (1 + \text{Annualized Cost Limit}) \wedge (\text{Term Days} / 365) &= \text{Maximum Unlock Share} \\ \$60,000 \times (1 + 19.9\%) \wedge (504 / 365) &= \$77,088 \end{aligned}$$

To conclude our example, the Unlock Share would be set equal to the Maximum Unlock Share of \$77,088, instead of the calculated Unlock Share of \$124,800. Unlock would receive \$77,088 from the sale proceeds and the resulting Annualized Cost would be exactly 19.9%.

Note: The symbol  $\wedge$  is used in mathematics to indicate the exponential function and means "raised to the power of."

## Annualized Cost Scenario Tables

The first table displays Annualized Cost calculations for various annual home price change and term length assumptions, assuming an Exchange Rate of 2.0 and an Annualized Cost Limit of 19.9%. The green highlighted area shows when the Annualized Cost Limit applies. This information can be useful when thinking about what your HEA might cost based on your expectations for home prices and when you think you will end your HEA.

### Annualized Cost

		Term Length									
		1	2	3	4	5	6	7	8	9	10
Annual Home Price Change	-2%	19.90%	19.90%	19.90%	16.54%	12.57%	10.00%	8.20%	6.87%	5.85%	5.03%
	-1%	19.90%	19.90%	19.90%	17.73%	13.72%	11.12%	9.30%	7.96%	6.93%	6.11%
	0%	19.90%	19.90%	19.90%	18.92%	14.87%	12.25%	10.41%	9.05%	8.01%	7.18%
	1%	19.90%	19.90%	19.90%	19.90%	16.02%	13.37%	11.51%	10.14%	9.09%	8.25%
	2%	19.90%	19.90%	19.90%	19.90%	17.17%	14.49%	12.62%	11.23%	10.17%	9.32%
	3%	19.90%	19.90%	19.90%	19.90%	18.32%	15.61%	13.72%	12.32%	11.25%	10.39%
	4%	19.90%	19.90%	19.90%	19.90%	19.46%	16.74%	14.83%	13.41%	12.33%	11.46%
	5%	19.90%	19.90%	19.90%	19.90%	19.90%	17.86%	15.93%	14.50%	13.41%	12.54%
	6%	19.90%	19.90%	19.90%	19.90%	19.90%	18.98%	17.03%	15.59%	14.49%	13.61%

The second table provides an interesting way to think about the Unlock Percentage when the Annualized Cost Limit applies. The table displays the “effective” Unlock Percentage for various home price change and term length scenarios, assuming an HEA with an Exchange Rate of 2.0, an Unlock Percentage of 20% and an Annualized Cost Limit of 19.9%. The green highlighted area shows when the Annualized Cost Limit applies.

### Effective Unlock Percentage

		Term Length									
		1	2	3	4	5	6	7	8	9	10
Annual Home Price Change	-2%	12.23%	14.97%	18.31%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
	-1%	12.11%	14.67%	17.76%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
	0%	11.99%	14.38%	17.24%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
	1%	11.87%	14.09%	16.73%	19.86%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
	2%	11.75%	13.82%	16.24%	19.09%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
	3%	11.64%	13.55%	15.77%	18.36%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
	4%	11.53%	13.29%	15.32%	17.67%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
	5%	11.42%	13.04%	14.89%	17.00%	19.42%	20.00%	20.00%	20.00%	20.00%	20.00%
	6%	11.31%	12.79%	14.47%	16.37%	18.52%	20.00%	20.00%	20.00%	20.00%	20.00%

What is this table telling us? Whenever the Annualized Cost Limit applies at the termination of the HEA, Unlock does not actually receive 20% of the home’s value even though the Unlock Percentage is 20%. Because the Annualized Cost Limit reduces the amount of the Unlock Share, the “effective” Unlock Percentage is reduced accordingly. For example, if you end your HEA after one year, and your home’s value increased by 2% that year, you would pay Unlock an amount that is equal to 11.75% of your home’s value (see the red highlight). As you might expect, the “effective” Unlock Percentage equals the actual Unlock Percentage of 20% whenever the Annualized Cost Limit does not apply.



## More About The Total Home Finance Limit

Total Home Finance is the sum of:

- All outstanding mortgage loan balances
- Any available but undrawn credit lines secured by your home (for example, a home equity line of credit)
- The value of the Unlock Share, assuming no Annualized Cost Limit

You are generally free to borrow against your home during the term of your HEA as long as you don't exceed the Total Home Finance Limit. Here we'll provide an example and demonstrate how much additional borrowing capacity may be available under the limit. Let's assume the following:

- Starting Home Value of \$1,000,000 and Investment Payment of \$150,000 (15% of home value)
- Exchange Rate of 2.0 and Unlock Percentage of 30% (15% X 2.0)
- Total Home Finance Limit is set at 80%
- There is an existing first mortgage loan on the property with an outstanding balance of \$250,000
- There is a \$40,000 home equity line of credit (HELOC) on the home with an outstanding balance of \$20,000

The calculations below apply at the start of the Unlock HEA. At any given time going forward, home value and outstanding loan balances may be different, which would impact the calculations.

<i>Existing First Mortgage Balance</i>		<i>\$250,000</i>	
<i>Existing HELOC Balance</i>	<i>+</i>	<i>\$20,000</i>	
<i>Undrawn HELOC Amount</i>	<i>+</i>	<i>\$20,000</i>	
<i>Value Of Unlock Share At Origination</i>	<i>+</i>	<u><i>\$300,000</i></u>	<i>(\$1,000,000 X 30%; assumes no Annualized Cost Limit)</i>
<i>Total Home Finance</i>	<i>=</i>	<i>\$590,000</i>	
<i>Total Home Finance Limit</i>		<i>\$800,000</i>	<i>(80% of current home value)</i>
<i>Total Home Finance</i>	<i>-</i>	<u><i>\$590,000</i></u>	
<i>Available To Borrow</i>	<i>=</i>	<i>\$210,000</i>	

## More About The Improvement Adjustment And Maintenance Adjustment

Here we will provide more detailed examples of the Improvement Adjustment and Maintenance Adjustment that can apply when your Unlock HEA ends. Our examples will assume the following:

- Starting Home Value of \$800,000 and Investment Payment of \$100,000 (12.5% of home value)
- Exchange Rate of 2.0 and Unlock Percentage of 25% (12.5% X 2.0)
- You decide to sell your home at the end of year 8. Ending Home Value is \$1,000,000

### Improvement Adjustment Example

To demonstrate the Improvement Adjustment let's assume that:

- Upon receipt of the Investment Payment from your Unlock HEA, you did a home improvement project which converted part of your basement into two new bedrooms and a bathroom at a cost of \$60,000.
- At the end of year 8 you request an Improvement Adjustment as part of the sale process, and provide all the proper documentation, including detailed "before" photos. An appraiser determines that the improvements you made some years ago have added \$50,000 to the current value of your home.

Based on this, we would conclude that without the additional bedrooms and bathroom in the basement your home would have been worth \$50,000 less. Unlock would apply a \$50,000 Improvement Adjustment to the Ending Home Value to arrive at a Sharable Value of \$950,000. Sharable Value would then be used to calculate the Unlock Share.

$$\text{Ending Home Value} - \text{Improvement Adjustment} = \text{Sharable Value}$$

$$\$1,000,000 - \$50,000 = \$950,000$$

$$\text{Sharable Value} \times \text{Unlock Percentage} = \text{Unlock Share}$$

$$\$950,000 \times 25\% = \$237,500$$

Without the Improvement Adjustment provision in the Unlock HEA, Ending Home Value would be used to calculate the Unlock Share and the amount payable to Unlock would be \$12,500 higher.

$$\text{Ending Home Value} \times \text{Unlock Percentage} = \text{Unlock Share}$$

$$\$1,000,000 \times 25\% = \$250,000$$

The result: Unlock does not share in any value created by your home improvements.

### Maintenance Adjustment Example

To demonstrate the Maintenance Adjustment let's assume that:

- During the eight-year term of your Unlock HEA, you did not properly care for your home. At the time of your sale the roof is leaking badly and there is some interior water damage.
- Using independent third-party reports (such as appraisals, inspections and repair estimates), Unlock determines that necessary repairs would cost \$40,000.

Based on this, we would conclude that the sale price of your home would have been \$40,000 higher if you had performed the required maintenance. Unlock would apply a \$40,000 Maintenance Adjustment to the Ending Home Value to arrive at a Sharable Value of \$1,040,000.. Sharable Value would then be used to calculate the Unlock Share.

$$\begin{array}{rclcl}
 \textit{Ending Home Value} & + & \textit{Maintenance Adjustment} & = & \textit{Sharable Value} \\
 \$1,000,000 & + & \$40,000 & = & \$1,040,000 \\
 \\ 
 \textit{Sharable Value} & \times & \textit{Unlock Percentage} & = & \textit{Unlock Share} \\
 \$1,040,000 & \times & 25\% & = & \$260,000
 \end{array}$$

Without the Maintenance Adjustment provision in the Unlock HEA, Ending Home Value would be used to calculate the Unlock Share and the amount payable to Unlock would be \$10,000 less.

$$\begin{array}{rclcl}
 \textit{Ending Home Value} & \times & \textit{Unlock Percentage} & = & \textit{Unlock Share} \\
 \$1,000,000 & \times & 25\% & = & \$250,000
 \end{array}$$

The result: Unlock does not share in any value lost due to improper maintenance.

As you can see, when calculating Sharable Value the Improvement Adjustment decreased the Ending Home Value and the Maintenance Adjustment increased it. These adjustments are designed to ensure fairness and preserve the intended outcome of the HEA.

In some cases an Improvement Adjustment and Maintenance Adjustment can apply to the same property when the Unlock HEA ends, and the Sharable Value would be impacted by both. If we combine the two examples above, Sharable Value would be \$990,000 and the Unlock Share would be \$228,938.

$$\begin{array}{rclcl}
 \textit{Ending Home Value} & - & \textit{Improvement Adjustment} & + & \textit{Maintenance Adjustment} & = & \textit{Sharable Value} \\
 \$1,000,000 & - & \$50,000 & + & \$40,000 & = & \$990,000 \\
 \\ 
 \textit{Sharable Value} & \times & \textit{Unlock Percentage} & = & \textit{Unlock Share} \\
 \$990,000 & \times & 25\% & = & \$247,500
 \end{array}$$

Objectivity and accuracy of the process to determine any Improvement or Maintenance Adjustment is fundamental to the Unlock HEA.

- An independent third-party appraisal determines the amount of the Improvement Adjustment. Improvement projects that in the aggregate have added less than \$10,000 to your home’s value may not qualify for an Improvement Adjustment.
- Unlock determines the amount of the Maintenance Adjustment based on independent third-party appraisals, inspections and repair estimates. Typically, no Maintenance Adjustment will apply unless the aggregate cost of the required repairs is at least \$10,000.



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