Shared appreciation mortgages
overview

Shared appreciation mortgages help prospective homebuyers afford to purchase a home that would otherwise be outside of their reach. In exchange, the homebuyer agrees to repay the mortgage together with a share of home price appreciation.

This repayment approach helps produce sufficient proceeds that the program can keep the housing affordable for the next purchaser as prices rise over time. Most shared appreciation mortgages are made available through state and local homeownership programs. In these models, the shared appreciation mortgage is generally structured as a deferred loan (sometimes known as a silent second mortgage), on which no payments are due until the home is sold to the next buyer or, in some cases, the first mortgage is refinanced. At that time, the subsidy must be repaid, along with the agreed-upon share of appreciation. Through this approach, low- and moderate-income households benefit from the opportunity to become homeowners and build equity through the pay-down of the principal on their first mortgage and by keeping a portion of home price gains.

Shared appreciation mortgages represent one of several strategies that help bring homeownership within reach of low- and moderate-income households while also preserving the buying power of public subsidy to help one generation of homebuyers after another. To learn more about similar programs, see the discussion of community land trusts, deed-restricted homeownership programs, and limited equity cooperatives.