Filed in District Court
State of Minnesota
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STATE OF MINNESOTA | DISTRICT COURT

COUNTY OF HENNEPIN | FOURTH JUDICIAL DISTRICT

Case Type: Other Civil
(Consumer Protection)

State of Minnesota, by its Attorney General,
Keith Ellison,

Court File No. __________

Plaintiff,

vs.

Unlock Technologies, Inc.; Unlock Partnership Solutions, Inc.; and Unlock Partnership Solutions AO2 Inc.,

Defendants.

COMPLAINT

The State of Minnesota, by its Attorney General Keith Ellison ("the AG"), for its Complaint against Unlock Technologies, Inc. ("Unlock Technologies"); Unlock Partnership Solutions, Inc. ("UP Solutions"); and Unlock Partnership Solutions AO2 Inc. ("AO2") (when referenced together, "the Unlock Defendants"), alleges as follows:

INTRODUCTION

1. For many Minnesotans, homeownership is a primary means for economic mobility. Home equity is an important source for creating financial stability, securing a place to live and raise a family, and passing on generational wealth. Minnesota law thus forbids predatory mortgage lending that puts Minnesotans' equity and housing stability at risk. Unlock Technologies—a self-described "fintech" that markets confusing mortgage loans through subsidiaries UP Solutions and AO2—engages in high-cost, risky mortgage lending and improperly skirts these important laws.

2. Unlock Technologies does this by, among other things, deceptively marketing itself as offering cash to Minnesota homeowners without creating "debt" or charging "interest." It tells

consumers they are not taking out a "loan" but instead entering a "Home Equity Agreement." Consumers are not receiving "principal" but instead are disbursed an "investment payment." And rather than a "mortgage originator," Unlock Technologies calls itself a "home equity agreement originator." This doublespeak is used to attract Minnesota consumers who both happen to have built up equity in their home but face financial difficulties—consumers looking for financial assistance without more borrowing or putting their home at risk. The language also appears to be designed to allow the Unlock Defendants to claim they are exempt from Minnesota mortgage-lending and usury protections.

3. But at bottom the Unlock Defendants do originate mortgage loans that, while difficult to understand, create secured debt to be repaid at a heavy cost to consumers likely already facing financial distress. Specifically, when Unlock Technologies arranges for a homeowner to enter into a contract, it advances a principal amount to the homeowner equal to a predetermined percentage of the home's then-current value. In exchange, the homeowner owes an amount that typically exceeds twice that principal amount and which increases as the home's value appreciates. Defendants secure repayment by recording a mortgage and can foreclose if the debt is not paid by the end of the loan's ten-year term.

4. The complicated process for calculating the high cost of Defendants' product is detailed throughout this Complaint, including an example where a homeowner receives an advance of $60,000 in exchange for owing Defendants both: (a) at least double the advance, due and owing upon the first of various events or ten years, and increasing as the home's value appreciates, and (b) 5% of the initial advance ($3,000), paid up front. The ceiling on what the consumer ultimately owes is then only limited to an annual rate of around 20%, which far exceeds subprime mortgage rates.

5. Moreover, Defendants' mortgage lending is especially risky because they do nothing to check if the homeowner can actually repay the loan unless the home is sold or a new Unlock Mortgage Agreement is taken out to repay the last. Defendants' marketing and closing materials also hide large origination fees and the potential for foreclosure.

6. Minnesota has seen the consequences of risky, equity-based subprime mortgage lending before. It led to a foreclosure crisis in which countless Minnesotans lost ownership of their homes. In response to this crisis, in 2007 the legislature passed a landmark predatory lending law to strengthen the residential mortgage market. And to prevent equity-based mortgage lending and the inevitable homeownership loss it causes, it amended the Minnesota Residential Mortgage Originator and Servicer Licensing Act to require mortgage lenders to verify the homeowner's ability to repay.[1] The law provides various other requirements that ensure sound, truthful, and fair practices by those engaged in mortgage underwriting.[2]

7. The protections the Minnesota Residential Mortgage Originator and Servicer Licensing Act provide consumers are underscored by the fact that many Americans have become reliant on their housing equity to help fund their retirements. One study found that, as of late 2024, middle-class retirees had a median "non-home equity" savings of about $253,000 but median home equity of about $211,000,which suggests that home values remain a large share of consumers' net worth.[3] So when the Unlock Defendants take a large share of equity in a financially insolvent customer's home, they take what is often the only financial security the person has left.

[1] 2007 Minn. Laws ch. 18, § 1 (codified at Minn. Stat. § 58.13, subd. 1(a)(24)); *see also* Mark Zdechlik, *Foreclosure Spike May Mean New Consumer Protection Laws in Minnesota*, MINNESOTA PUBLIC RADIO (Mar. 4, 2007).

[2] *See generally* Minn. Stat. ch. 58.

[3] Catherine Collinson & Heidi Cho, *Retirement Throughout the Ages: The American Middle Class*, TRANSAMERICA CENTER FOR RETIREMENT STUDIES (Oct. 2025).

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8. The Unlock Defendants also purport to be immune from laws regulating mortgage lending by claiming that they do not actually engage in mortgage lending or create debt. But the statute is broadly worded to protect against evasions. And lending laws in Minnesota generally look beyond such labels and consider the substance of the transaction. Ultimately, the Unlock Defendants are making unlicensed, illegal, and expensive mortgage loans in Minnesota.

9. The AG brings this suit on behalf of the State to stop the Unlock Defendants from violating Minnesota's laws, as well as to remediate violations, secure appropriate civil penalties to deter unlawful conduct, and recover the costs of its investigation and enforcement.

PARTIES

10. Keith Ellison, Attorney General of the State of Minnesota, has authority under Minn. Stat. §§ 8.01, 8.31, 56, 58, 334, 325D.43-48, and 325F.67-.69, and under the common law plenary authority of the Attorney General, including his *parens patriae* authority to bring this action to enforce Minnesota law, vindicate the State's sovereign and quasi-sovereign interests, and remediate all harm arising out of and provide full relief for violations of Minnesota's laws.

11. Unlock Technologies, Inc. is a Delaware corporation with a principal place of business at 5 Bryant Park, Floor 23, New York, NY 10018. Unlock Technologies, Inc. is not registered as a business entity with the Minnesota Secretary of State. James Riccitelli is the CEO and Founder of Unlock Technologies, Inc. Unlock Technologies, Inc. has nine subsidiary companies, two of which operate in Minnesota.

12. Unlock Partnership Solutions Inc. is a Delaware corporation with a principal place of business at 5 Bryant Park, Floor 23, New York, NY 10018. Unlock Partnership Solutions Inc. has a registered office address in Minnesota at 202 N. Cedar Avenue, Suite 1, Owatonna, Minnesota 55060. Unlock Partnership Solutions Inc. is a wholly owned subsidiary of Unlock Technologies Inc. James Riccitelli is the CEO of Unlock Partnership Solutions Inc.

13. Unlock Partnership Solutions AO2 Inc. is a Delaware corporation with a principal place of business at 5 Bryant Park, Floor 23, New York, NY 10018. Unlock Partnership Solutions AO2 Inc. has a registered office address in Minnesota at 202 N. Cedar Avenue, Suite 1, Owatonna, Minnesota 55060. Unlock Partnership Solutions AO2 Inc. is a wholly owned subsidiary of Unlock Technologies Inc. James Riccitelli is the President of Unlock Partnership Solutions AO2 Inc.

14. Unlock Partnership Solutions, Inc. and Unlock Partnership Solutions AO2, Inc., operating under Unlock Technologies Inc.'s supervision, management, and direction, have executed mortgage contracts with Minnesota consumers and originated home mortgage loans in Minnesota, as described further below, since September 2021.

JURISDICTION AND VENUE

15. This Court has jurisdiction pursuant to Minn. Stat. §§ 8.01, 8.31, 56, 58, 334, 325D.43-48, and 325F.67-.69, and under the common law authority of the Attorney General.

16. Venue for this action properly lies in Hennepin County pursuant to Minn. Stat. § 542.09 because Defendants have engaged in the conduct described below in Hennepin County and elsewhere in the State of Minnesota.

FACTS

17. Unlock Technologies was founded in 2020 and conducts business in Minnesota individually and through its subsidiaries, UP Solutions and AO2. Unlock Technologies supervises, manages, and oversees all UP Solutions' and AO2's business activities in Minnesota.

18. Unlock Technologies began originating home mortgage loans marketed as "Home Equity Agreements"[4] and executed through subsidiaries in Minnesota around September 2021. Those subsidiaries, UP Solutions and AO2, have recorded performance mortgages in Minnesota.

19. Unlock Technologies and its affiliates and subsidiaries originate the securitization of Unlock Mortgage Agreements. These assets, including the assets in Minnesota, are managed by employees of the Unlock Defendants, who communicate with the Unlock Defendants' customers, ensure all sales are properly recorded, and ensure maximization of the return for the Investor in the Unlock Mortgage Agreement when a Settlement Event occurs (*see infra* at ¶ 43 for further explanation of "Settlement Events," referred to herein as "qualifying events").

20. From 2021 through 2023, UP Solutions and AO2, under Unlock Technologies' management, entered into approximately 86 Unlock Mortgage Agreements with Minnesota homeowners. The initial "investment payments" to these homeowners range from approximately $30,000 to $339,500. The majority of these loans are under $100,000.

I. UNLOCK TARGETS CONSUMERS WITH BAD CREDIT, OFFERING ADVANCES THAT IT SAYS ARE NOT MORTGAGE LOANS, DO NOT CREATE DEBT, AND DO NOT CHARGE INTEREST.

21. Unlock Technologies expressly and repeatedly advertised its mortgage lending as a "home equity program" that is not a loan, does not charge interest, and does not create debt for the consumer. Unlock Technologies marketed and advertised both for itself and on behalf of UP Solutions and AO2. Unlock Technologies' website states on its "About" page, linked from the main landing page, that "we're not a lender."

22. Unlock Technologies' web advertisements represent that its Unlock Mortgage Agreements are a solution to a homeowner's financial problems that do not result in additional

[4] The Unlock Defendants' home mortgage loans, which they call "Home Equity Agreements," will be referred to herein as "Unlock Mortgage Agreements."

debt, including: “Homeowners: Tap Into Your Home Equity Without A Loan;” “Little-Known Equity Program Is Helping Homeowners Eliminate Debt;” “Homeowners: Tap Into Your Home Equity With No … Interest.” Other examples of these ads include the following:

23. Unlock Technologies also advertises on television with similar representations. One Unlock Technologies television advertisement, for example, includes the following exchange between actors portraying a potential borrower and an Unlock homeowner customer:

> Potential borrower: “Wow. How’d you find the money to build your new kitchen?”
> Unlock customer: “We worked with Unlock. They helped me tap my home equity without the hassle of dealing with the bank.”
> Potential borrower: “So it’s a home equity loan?”
> Unlock customer: “No, it’s not a loan. It’s a home equity agreement.”

24. Unlock Technologies’ mail advertisement states, “an Unlock HEA is not a loan” and “Unlock focuses on homeowners who need a financial solution without going into more debt.”

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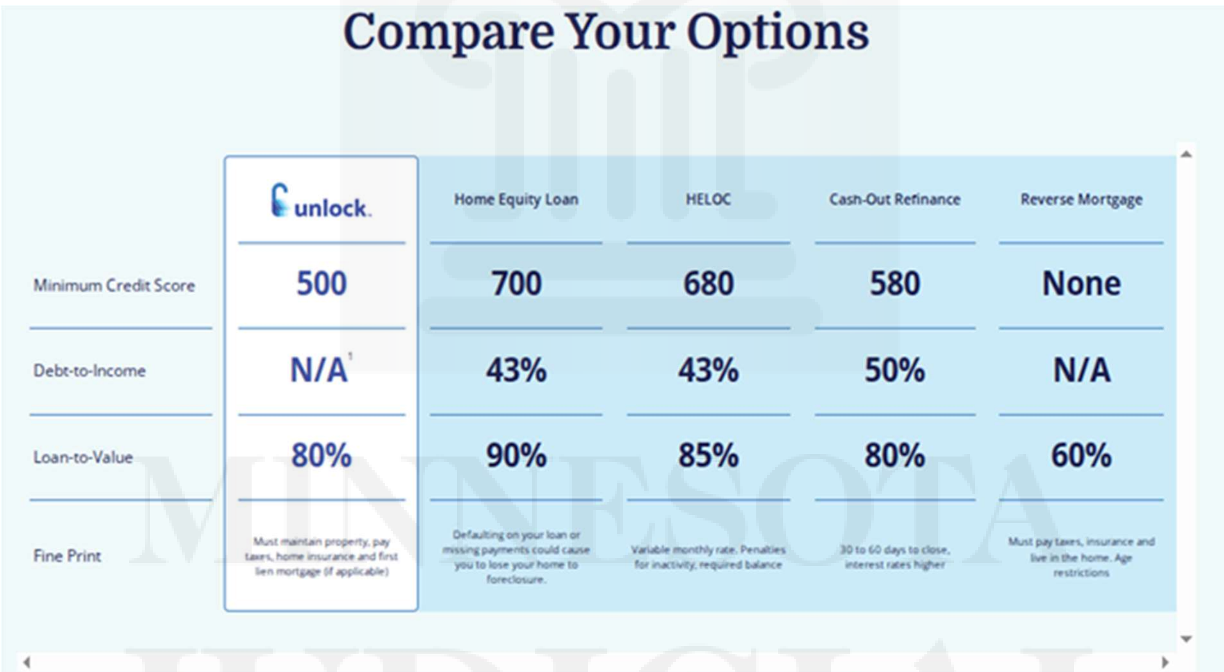
25. Unlock Technologies' online and mail ads direct homeowners to Unlock Technologies' website. Once there, Unlock Technologies repeats the representations that it is not offering a loan and that homeowners pay "no interest charges, ever."

26. Unlock Technologies displays the following chart on the "How It Works" page of the consumer facing Unlock Technologies website to emphasize to homeowners that its product is appropriate for borrowers with very low credit scores and is not like other forms of loans:


Compare Your Options

	unlock.	Home Equity Loan	HELOC	Cash-Out Refinance	Reverse Mortgage
Minimum Credit Score	500	700	680	580	None
Debt-to-Income	N/A[1]	43%	43%	50%	N/A
Loan-to-Value	80%	90%	85%	80%	60%
Fine Print	Must maintain property, pay taxes, home insurance and first lien mortgage (if applicable)	Defaulting on your loan or missing payments could cause you to lose your home to foreclosure.	Variable monthly rate. Penalties for inactivity, required balance	30 to 60 days to close, interest rates higher	Must pay taxes, insurance and live in the home. Age restrictions

27. Unlock Technologies also advertises on its website that it "does not require your home as collateral."

28. The Unlock Technologies website home page directs customers to call Unlock's toll-free number to learn more about its product. An instructional document for sales representatives, titled the "Unlock Call Map," instructs representatives to "follow script" and "use the Custom Offer script word-for-word."

29. Unlock Technologies' call scripts instruct sales representatives to state that: "Our product is not a loan – it is a cash payment based on the amount of equity you want to access."

30. Regardless of the homeowner's financial situation and without conducting any evaluation of the borrower's ability to repay an Unlock Mortgage Agreement, the call script instructs the sales representative to state that "This sounds like the perfect program for you."

31. Unlock Technologies also provides a "Product Guide" on its website, which is used by and on behalf of the Unlock Defendants. The first text page of the Product Guide represents that the guide "will help you learn about the Unlock HEA, to see if it might be right for you" and states: "The cash you receive from Unlock **is not a loan**, so you pay no interest and make no monthly payments to Unlock." (emphasis in original). The Product Guide also represents that the Unlock Mortgage Agreement allows a consumer to "unlock home equity without additional debt" and "solve problems that debt cannot solve."

32. While the Product Guide represents that the Unlock Mortgage Agreement does not charge interest, it also confusingly describes what it calls an "Annualized Cost Limit" ("ACL"), which purports to cap the amount that the consumer must repay, calculated on an annualized basis—just like an annual percentage rate for traditional loans. Unlock advertises the ACL as a limit—expressed in the form of an annualized rate—on how much the homeowner must repay upon a qualifying event. (*See infra* ¶¶ 62 through 68 for further discussion of the ACL.)

33. The Unlock Defendants also specifically state in their Product Guide that the "annualized cost limit" is "expressed as a rate of investment return *that can be compared to the interest rate on a loan*." (emphasis added). Unlock Technologies' and UP Solutions' CEO (who is also AO2's president) internally described in a training meeting for Unlock employees that the "annualized cost limit" is "basically the equivalent to what would be their interest rate."

34. The Product Guide further cannot explain the "annualized cost limit" presented to consumers without describing it as an interest rate:

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).

(Highlighting added).

35. For the Unlock Defendants' Minnesota borrowers, this maximum interest rate or "annualized cost limit" has 19.9% since the beginning of 2023. The average rate during calendar year 2023 was 20.11%.

II. In Reality, Unlock is Making Loans, Creating Debt Similar to a Reverse Mortgage that Must be Repaid at Subprime Rates.

36. To obtain an Unlock Mortgage Agreement, a homeowner first submits an application to UP Solutions with basic information about themselves and their home. The application is available on Unlock Technologies' website.

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37. UP Solutions then sends the homeowner an "Investment Estimate and Summary of Key Terms" that states: "This is not a loan. No interest is charged…" The homeowner is also provided with Unlock Defendants' Product Guide.

38. Once approved for an Unlock Mortgage Agreement, UP Solutions sends the consumer an Investment Closing Statement and sample Forward Sale and Exchange Agreement and Security Instrument for the transaction.

39. In Minnesota, the Security Instrument is a Performance Mortgage. With these documents, the consumer also receives wire instructions from the Unlock Defendants' title and settlement provider, ClearEdge Title, which instructs ClearEdge on how to process the funds.

40. The consumer then signs final versions of the Investment Closing Statement, Forward Sale and Exchange Agreement, and Performance Mortgage, at which point the consumer receives the requested funds either through a wire transfer, an Automated Clearing House network transfer, or a check.

41. The Forward Sale and Exchange Agreement provided to consumers states in capitalized and bold letters, at the top of the document, that: "**THIS EXCHANGE AGREEMENT IS NOT A LOAN.**" (Emphasis in original)

42. The Forward Sale and Exchange Agreement specifies that on the "Effective Date" of the Agreement, the consumer is paid an advance—which Unlock Technologies labels an "Investment Payment"—by either UP Solutions or AO2. It also states that UP Solutions or AO2 receive, in exchange for disbursing the advance, the "Unlock Percentage."

43. The "Unlock Percentage" is a percentage of the consumer's home value, the value of which is owed at a future date, and which repays the Unlock Defendants for the advance, plus interest. The Unlock Percentage is due and payable ten years after origination or the occurrence of

any of the following, if it occurs earlier: (1) the consumer sells the property, (2) the consumer buys out Unlock, (3) the consumer's death, or (4) an unintended or unusual "Settlement Event."

44. Despite advertising on the Unlock Technologies website that the Unlock Defendants "do[] not require your home as collateral," UP Solutions and AO2 record mortgages on the consumer's home. And those mortgages provide the companies with the wide-ranging right to foreclose on the home.

45. The repayment of the Unlock Percentage is due in ten years (or upon an earlier qualifying event) and is secured by recording a mortgage in county land records against the homeowner's property. UP Solutions and AO2 have recorded mortgages for all 86 known Unlock Mortgage Agreements entered in Minnesota.

46. As stated in UP Solutions' and AO2's recorded mortgages, homeowners subject to Unlock Mortgage Agreements can be foreclosed upon at the conclusion of the ten-year term if they are unable to repay the Unlock Percentage:

> 1. **Grant.** OWNER DOES HEREBY IRREVOCABLY mortgage, grant, bargain, sell, pledge, assign, warrant, transfer and convey to and grant a security interest to Unlock and its respective successors and assigns, with the power of sale and right of entry and possession in the following property,

47. UP Solutions and AO2 may also foreclose upon the mortgage for numerous other reasons specified in the Performance Mortgage and Foreword Sale and Exchange Agreement, including failure to maintain homeowner's insurance, pay taxes on the property, or keep the property in good repair. UP Solutions' and AO2's boilerplate mortgage document authorize the respective company to initiate foreclosure for all the conditions identified in the Minnesota Uniform Conveyance form, but also for a variety of other conditions, which allow UP Solutions and AO2 to exercise broad discretion in deciding when to foreclose.

48. Notably, one of the reasons the entities may foreclose includes if the homeowner become(s) insolvent or unable to Pay [their] debts." Reserving the right to foreclose for this reason is especially ironic given both the companies' specific targeting of consumers who already fit this classification (*see infra* sections VI and VII) and the companies' Exception Process (*see infra* at ¶ 105), which may additionally enable this classification of customers to obtain a loan from UP Solutions and AO2 despite an inability to repay it.

III. UNLOCK'S CONFUSING PRICING STRUCTURE

49. The Unlock Defendants charge extraordinarily high costs on their Unlock Mortgage Agreements. This includes loan origination fees that are multiple times higher than the industry average and repayment costs that are determined through confusing interest-rate limits.

Unlock's Initial Finance Charge Assessment is At Least 100% of the Principal Amount

50. If a homeowner's application is approved, the Unlock Defendants first determine the amount of the advance or principal for the loan, based on a predetermined percentage of the home's value. If the homeowner accepts this principal amount for the loan, Unlock applies that percentage to an estimate of the then-fair market value of the home. Unlock also determines its "Unlock Percentage"—i.e., the share of the home's value that is owed after ten years or earlier qualifying event—by multiplying the equity percentage received by the homeowner by a multiple determined by Unlock (typically, double the equity percentage). When the loan is due after ten years or other qualifying event, Unlock is owed the dollar value of the Unlock Percentage applied to the home's fair market value as determined at that future time, capped by the "annualized cost limit" explained herein.

51. When Unlock divides the Investment Payment (the amount of the advance or loan principal) by the home value at the time of origination, it yields what Unlock labels the "Investment Percentage" in the home. Unlock then applies the "Exchange Rate," which it multiplies by the

Investment Percentage, to obtain the "Unlock percentage" —i.e., the percentage of the home value that Unlock claims the homeowner owes on loan termination.

52. Unlock states that its "base pricing" exchange rate is currently 2.0.

53. For the thirty-two Minnesota loans made by the Unlock Defendants during the 2023 calendar year, the minimum exchange rate was 2.0, the maximum exchange rate was 2.4, and the average exchange rate was 2.11.

54. In other words, during calendar year 2023, the Unlock Defendants charged the homeowner interest to be paid at loan termination in an initial amount equal to 100% to 140% of the amount of advance or loan principal.

55. For example, a homeowner whose property is valued at $300,000 at the time of origination might receive an advance of $60,000 (20% of the home's value at origination) as the principal or "Investment Payment." If the consumer is charged the minimum based pricing, this value of the advance is doubled (i.e., applied to the 2.0 exchange rate), which results in Unlock being owed a 40% share of the home's value in ten years or upon an earlier qualifying event. So, in the rare event that the home has no change in market value at the end of the ten-year term, the homeowner will have to pay Unlock $120,000 (40% of the home's value) on the $60,000 loan. This cost does not include a loan origination fee (discussed below), other closing costs, and any applicable loan-termination costs.

56. But because the repayment amount is based on a percentage of the home value *after ten years or upon the other future qualifying event*, the homeowner pays back an increased dollar amount if the value of the home naturally increases. So, in the above example, if the home value increased from $300,000 to $400,000 during the ten-year loan term that lapsed, the consumer would owe $160,000 (40% of $400,000), not including the loan origination fee and closing costs.

Loan Origination Charges

57. Like for many mortgage loans, the Unlock Defendants charge the homeowner an "Origination Fee." The Unlock Defendants obtain this fee by withholding a predetermined sum from the advance made to the homeowner. For example, if the homeowner is obtaining a loan in the amount of $100,000 and the origination-fee percentage is 4.9%, the origination fee is $4,900 and the homeowner is entitled to payment of $95,100 instead of the full $100,000 advance they signed up to receive.

58. The Unlock Defendants' origination fee of the loan principal has been 4.9% since at least June 2023. This is generally five to ten times greater than origination fees on a typical home equity loan.

59. Origination fees are generally included in annual percentage rates on mortgage loans. And when the Unlock Defendants first began operating in Minnesota, they included their origination fees in their calculations of the ACL.

60. In or around spring of 2022, however, it appears that the Unlock Defendants chose to stop including the origination fee in their interest rate calculations. The origination fee also increased from 3% to 4.9% around this time.

61. Since the Unlock Defendants stopped including the origination fee in their ACL calculations, their representations to customers prior to signing the Forward Sale and Exchange Agreement have used confusing and misleading descriptions of how the ACL is calculated.

62. For example, UP Solutions provided a customer with an Investment Estimate and Summary of Key Terms on September 27, 2023. The Investment Estimate stated that the Annualized Cost is "calculated exclusive of the Origination Fee and all transaction expenses." The Investment Closing Statement provided to the customer on October 24, 2023 also represented that

the Annualized Cost "is calculated exclusive of the Origination Fee and all transaction expenses." The final Forward Sale and Exchange Agreement signed by the customer and AO2 on October 27, 2023, however, stated that the Annualized Cost was calculated as follows: (Unlock Share/Investment Payment)^(365/Term Days)-1, thus not factoring the origination fee into the interest calculation as a financing cost.

Unlock's Maximum Interest Rate

63. As discussed above, the amount that the homeowner actually owes the Unlock Defendants based on the Unlock Percentage depends on whether an early qualifying event causes the debt to become due before ten years, in addition to other factors. This makes the actual rate of interest charged at the time of origination variable.

64. While the actual interest rate for a given Unlock Mortgage Agreement is variable, the agreements feature a maximum limit on the annualized rate, which is described by the Unlock Defendants in marketing as the "Annualized Cost Limit" (referred to herein as "the ACL" or "the maximum interest rate"). The typical maximum interest rate is 19.9%; however, the annualized cost limit "varies based the circumstances of each transaction."

65. For some Minnesota homeowners, the annualized cost limit is greater than 20%.

66. The maximum interest rate caps the repayment amount owed to the contracting Unlock Defendant. The maximum interest rate is more likely to apply when the repayment date is triggered earlier than ten years upon one of the qualifying events provided under the Unlock Mortgage Agreement. It is also more likely to apply when home values increase quickly. Under common market circumstances, the maximum interest rate applies when the loan is terminated during the first four or five years after origination.

67. The chart below, from the Unlock Defendants' Product Guide, assumes a 19.9% maximum interest rate. It shows how and when the minimum interest rate limit may be applied under various combinations of loan term and home-appreciation rates.

Annualized Cost

Annual Home Price Change	Term Length 1	2	3	4	5	6	7	8	9	10
-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%

68. In reality, however, many homeowners whose repayment obligation is capped by the Unlock Defendants' maximum interest rate pay more than a 19.9% annual rate. This is because the Unlock Defendants often do not include the origination fee (discussed further *supra* at ¶¶ 57 through 62) in their calculation of the cost of credit capped by the maximum interest rate.

Unlock Attempts to Avoid Explaining the Pricing Structure

69. Despite the complexities described throughout this Complaint concerning Unlock Mortgage Agreements, Unlock Technologies' call-center representatives are instructed to only explain how the Unlock Defendants' complicated pricing works if a homeowner asks. The Unlock Technologies call script, which sales representatives are instructed to follow verbatim, states:

> **Custom Offer:**
>
> Based on the information you have provided me, it looks like we can potentially offer you $_______ with no monthly payments or interest charges, in exchange for up to ______% of your home's future value.
>
> **Explain pricing: (ONLY IF THEY ASK)**
>
> For every 1% of homes current value Unlock will share in 2.0% of your home's future value.

IV. Unlock's Pricing System Creates Exceedingly High-Cost Loans.

70. The result of complicated pricing system for the Unlock Defendants' loans is that homeowners pay an exceedingly high cost on an Unlock Mortgage Agreement.

71. For homeowners who terminate the Unlock Mortgage Agreement in roughly the first half of the ten-year loan period, the application of a 19.9% annualized interest rate, combined with the origination and termination costs, guarantee that the consumer will pay an extraordinarily high cost for the Unlock mortgage loan.

72. Take again the example of a homeowner with a home value at origination of $300,000, which provides for a $60,000 loan principal amount and a 40% "Unlock Percentage." If the Minnesota homeowner sells or refinances the Unlock mortgage loan after one year, they will pay approximately the following costs for the $60,000 loan: a $2,940 Origination Fee ($60,000 * 4.9%) and an eventual balloon payment subject to the maximum interest rate of $11,940 ($60,000 * 19.9%), totaling $14,880. Those costs amount to a simple annual interest rate of over 24% for a one-year loan.

73. Even by the fourth year of the loan, the loan costs to the homeowner, assuming even minimal appreciation in the home's value, would still be almost wholly determined by the minimum 19.9% per year maximum interest rate, which since at least early 2022 does not factor in the origination fee. This results in loan costs over 20% on an annualized basis each year of the four-year loan.

74. The first loans issued by UP Solutions and AO2 in Minnesota show an early pattern of consumers triggering early termination—either by selling the home, buying out the contract, or refinancing with Unlock—before the ten-year term of the loan expires and the balloon-payment obligation becomes due. Of the first sixteen UP Solutions and AO2 mortgage loans made in Minnesota from September 24, 2021 to May 14, 2022, seven (or 43.75%) involved early qualifying

events before the end of 2023. Of these, at least four were repaid by the consumer obtaining another Unlock refinancing loan, sometimes taking out a second Unlock Mortgage Agreement to pay off their debt with the Unlock Defendants.

75. For example, one couple applied for a loan from the Unlock Defendants in the amount of $80,000 on May 2, 2022. The Unlock Mortgage Agreement for the $80,000 was signed later that month. On September 9, 2022, the couple applied for a second Unlock Mortgage Agreement in the amount of $119,593. The application stated that the purpose of the second Unlock Mortgage Agreement was to pay off a $86,094.84 debt *to Unlock*. The couple signed the Investment Closing Statement for this second transaction on the same day they signed their application, and the Unlock Mortgage Agreement for $119,593 was signed and effective on September 14, 2022.

76. This practice of borrowers taking out repeated loans, oftentimes to pay off the preexisting loan, is a form of "loan churning" that parallels the subprime mortgage lending experience in the early 2000s. The practice of churning is outlawed for licensed mortgage originators under Minn. Stat. § 58.13.

77. For borrowers who keep the loan for all or most of the full ten-year term, the economics of the Unlock Defendants' loan continue to produce high-cost repayment obligations. This is because of the strong likelihood of long-term home value appreciation.

78. Consider again the example of a homeowner with a home value at origination of $300,000, a loan of $60,000, and a resulting 40% Unlock Percentage. A homeowner who retains the Unlock Defendants' loan for the ten-year period will pay the following approximate costs: the amount of the advance or loan principal ($60,000), plus 40% of the dollar valuation of the home's appreciation. The consumer will also pay the 4.9% origination fee. Assuming a modest 4%

annualized appreciation rate for the home resulting in an increased value to $444,000, the home appreciation component of the loan cost alone would add a cost of about $57,000 for the 40% of the appreciated home value, in addition to the origination fee.

V. Unlock Evades Regulatory Supervision that is Required of Lenders, Mortgage Originators, and Reverse-Mortgage Companies.

79. The Minnesota Residential Mortgage Originator and Servicer Licensing Act, Minn. Stat. ch. 58, regulates residential mortgage originators. The statute prohibits any person from making residential mortgage loans without a chapter 58 license, unless they have a chapter 56 license or are subject to other supervision as a financial institution.

80. Mortgage lending based on the amount of equity in a home without verifying the borrower's actual ability to repay the loan without needing to be subject to foreclosure is unlawful under section 58.13, subdivision 1(24).

81. Licensure under a different statute—the Minnesota Regulated Loan Act, Minn. Stat. ch. 56—is also required for persons who wish to "charge, contract for, or receive any interest, discount, or consideration greater than" otherwise allowed by law "upon the loan, use, or forbearance of money, goods, or things in action, or upon the loan, use, or sale of credit." In other words, for loans under $100,000 in principal that charge or collect at rates above what is generally allowed under Minnesota law, the person engaged in the business of lending must obtain a chapter 56 license from the Minnesota Department of Commerce under sections 56.01 and 56.131.

82. None of the Unlock Defendants are licensed under chapter 56, chapter 58, or any other Minnesota law regulating consumer lending. None qualify for any other exception from those statutes. The Unlock Defendants operate without any supervision and claim to not be subject to the requirements and restrictions under those statutes.

83. Meanwhile, Unlock Technologies tells investors that its loan is "[s]ecured by a recorded lien on the property" and that the investment has "robust downside protection." In an investor presentation, Unlock Technologies defines "downside protection" as based partly on "Unlock's asset-based underwriting" which "reflects a strong emphasis on homeowner equity." In other words, it is Unlock Technologies' security interest on the home in the form of equity and the UP Solutions or AO2 Performance Mortgage that protects its ability to recover a repayment on the debt from the consumer. To Minnesota consumers, however, the Unlock Defendants advertise that Unlock's loans "unlock(s) home equity without additional debt."

84. The Product Guide also states that the Unlock Mortgage Agreement requires the homeowner to maintain hazard insurance equal to the replacement cost of the home. The Product Guide states: "[o]ur insurance requirements are similar to what is typically required by a mortgage lender . . . Unlock must be named on all property insurance policies as a "mortgagee" and/or "Additional interest" throughout the terms of the Unlock Mortgage Agreement, even if the insurance carrier changes."

85. The Product Guide anticipates that customers may have concerns about the significant equity an Unlock entity is repaid from customers, so the Product Guide lays out a chart that differentiates the Unlock Mortgage Agreement and a loan on the basis that the Unlock Mortgage Agreement is "riskier." The information below is from the product guide:

unlock

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 locked in at a known and fixed rate or margin.	Riskier: A large part of the HEA return is dependent on home price appreciation, which is unknown and variable, and may be zero or negative.
Timing Of Investment Return	Interest and Principal are paid each month so the loan balance declines over time.	Riskier: No monthly payments. Investment return is deferred for up to 10 years.
Lien Position	First position.	Riskier: Typically second position. 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 largely insulated from this risk 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 can directly reduce Unlock's return 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.

86. The language in the Unlock Defendants' contracts reveals the true nature of the Unlock Mortgage Agreements. Although Unlock states that its product "unlock[s] home equity without additional debt," the first page of UP Solutions and AO2's Performance Mortgage states that the homeowner is the "Debtor" and is in fact incurring debt:

> Notwithstanding anything to the contrary herein, enforcement of this mortgage is limited to an **initial debt amount** of $[amount] under chapter 287 of Minnesota statutes, plus amounts that are exempt from or not subject to mortgage registry tax or which are obligations or indebtedness upon which mortgage registry tax has been paid.

(Emphasis added.) The Unlock Defendants fill in the dollar amount in each mortgage with the advance or loan principal amount for that loan, which Unlock Technologies calls the "Investment

Payment" in its consumer marketing (as described *supra* at ¶ 42). UP Solutions is also referred to as an "originator" on the Investment Closing Statement documents.

87. The mortgage documents further betray that the Unlock Defendants are making loans: the "Borrower(s) Closing Statement" characterizes the consumer homeowners as "borrowers" who are receiving "new loans," with the loan amount matching the advance that the Unlock Defendants call an "Investment Payment" in its table of key terms.

ClearEdge Title

ClearEdge Title, Inc.
2605 Enterprise Road E
Suite 270
Clearwater, FL 33759
(877) 536-3390

File Number: **C-MN847873**
Loan Amount: **$85,000.00**
Close Date: **5/6/2022**
Disbursement Date: **5/9/2022**

BORROWER(S) CLOSING STATEMENT

Type: **Property Report**
Property: **3175 MAUREEN LANE**
STILLWATER, MN 55082 (WASHINGTON)
(19.030.20.12.0022)

Borrower(s): **CHRISTOPHER M WILLIAMS AND ERICA S WILLIAMS**
3175 Maureen Lane
Stillwater, MN 55082

Description	P.O.C.	Debit	Credit
New Loans			
Loan Amount			$85,000.00
Unlock Origination Fee (3.00%)		$2,550.00	
Appraisal Fee to Accurate Group		$340.00	
Title Charges			
Title - Lender's Title Insurance to ClearEdge Title, Inc. $85,000.00			
Title - Settlement or closing fee to ClearEdge Title, Inc.		$895.00	
Government Recording and Transfer Charges			
Recording Fees: Mortgage $46.00		$46.00	
State Mortgage Tax/Stamps to ClearEdge Title - Filing Fee		$195.50	
Agricultural Fee to ClearEdge Title - Filing Fee $5.00		$5.00	
Totals		$4,031.50	$85,000.00

Balance Due TO Borrower: $80,968.50

APPROVED AND ACCEPTED

BORROWER(S)

CHRISTOPHER M WILLIAMS

ERICA S WILLIAMS

attached hereto and incorporated herein by this reference, and commonly known as 3175 MAUREEN LN, STILLWATER, MN 55082 ("**Land**"), and (b) agrees that upon the occurrence of certain events under the Exchange Agreement, Unlock has the right to convert the Unlock Percentage (the "**Conversion**") to an undivided fee simple ownership interest equal to the Unlock Percentage in and to the Real Property (as defined herein). In exchange for granting and conveying the Unlock Percentage to Unlock, Unlock paid to Owner a payment amount equal to EIGHTY-FIVE THOUSAND Dollars ($85,000.00) (the "**Investment Payment**"), subject to the terms and conditions of the Exchange Agreement.

88. Buried in the middle of the Forward Sale and Exchange Agreement, Clause 21.5 of the boilerplate contract entitled, "Not A Loan," states that the agreement and transaction are not a

loan or an extension of credit. Clause 21.5 further purports to validate the Unlock Defendants' evasion of consumer-credit regulations, stating: "[t]o the fullest extent possible, Unlock and Owner agree that the Unlock Agreement is not subject to any federal, state and/or local law concerning consumer credit, including, without limitation, usury ceilings, disclosures, and any other requirements, restrictions, limitations or prohibitions set forth in such laws."

89. Because none of the Unlock Defendants are licensed under Chapters 56 or other law allowing financial institutions to collect at higher rates of interest, they are not eligible to collect interest exceeding the rate cap set under Minnesota's general usury statue for unregulated lenders of 8% annual interest. *See* Minn. Stat. § 334.01.

90. State mortgage lending laws like those enacted in chapter 58 are "focused on ability-to-repay as a way of limiting asset-based lending."[5] Asset-based lenders (another term for equity-based lenders) make loans "to borrowers based solely on the value of the collateral property without regard to the borrower's ability to repay the loan from income or other assets. Such asset-based lenders would often seek to lend to borrowers who specifically lacked an ability to repay."[6]

91. The Unlock Defendants' targeting of solicitations at homeowners with subprime credit for equity-based mortgage loans is among the conduct that chapters 56, 58, and similarly structured mortgage lending regulations are designed to prevent.

VI. UNLOCK TARGETS HOMEOWNERS WITH EXISTING DEBT AND SUBPRIME CREDIT.

92. The Unlock Defendants offer their equity-based loans and solicit applications for their loans through web advertisements, targeted emails, direct mail advertisements, and television

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[5] Adam J. Levitin, *The New Usury: The Ability-to-Repay Revolution in Consumer Finance*, 92 GEO. WASH. L. REV. 425 (2024).

[6] *Id*.

advertisements.

93. Unlock Technologies' CEO and Founder has stated that the "best use of this type of product is to help the people that can't qualify" for other home loan products.

94. Unlock Technologies represents to potential investors that it targets people with high debt-to-income ratios who cannot qualify for other loans.

95. In a training video for Unlock Technologies' employees, Unlock Technologies' CEO states that his former employer, a "fintech" mortgage lender, had difficulty getting customers because it targeted prime borrowers—customers with good credit, who would qualify for other home loan options. This, he states, is "a different type of customer" than the Unlock borrower.

96. Similarly, in an Unlock Technologies employee training webinar, the CEO states that Unlock customers "are hurting in some way," and that "most of [Unlock's] customers don't qualify for [a HELOC]"—a home equity line of credit.

97. Unlock Technologies markets its business to investors based on the fact that targeted homeowners have few other opportunities for loans and are already facing large debt burdens. Presentations to investors identify the "target consumer" as person who is "Cash Light And Rich in Equity," who is "Credit Impaired" and has a "High Debt-to-Income Ratio." Unlock Technologies tells investors that it offers "the only home finance product available to non-prime consumers."

98. To this end, Unlock Technologies posted hundreds of online advertisements in Minnesota targeting homeowners who are debt-ridden. These advertisements were designed to appeal to subprime borrowers who need cash but do not qualify for other types of loans.

99. Unlock Technologies represents that its products are available to homeowners who have credit scores as low as 500. Unlock Technologies also advertises that it takes non-prime and low-income applicants.

100. Unlock Technologies uses search engine optimization (SEO) strategies to improve its website's ranking in search engine results for relevant keywords."

101. Unlock Technologies SEO keywords reflect its business strategy of targeting subprime borrowers, and the SEO keywords evidence that Unlock knows their product is a type of loan. Of 31,910 keywords listed in their list of search optimization terms, thousands explicitly target homeowners with subprime credit, who are in financial trouble, and who are searching for subprime credit options. These include "low credit score home equity line of credit"; "bad credit score heloc interest rates"; "can I buy a house with 510 credit score"; "how to get loan for house with bad credit"; "alleviate tax relief"; "how to get tax debt forgiven"; "bad credit loans with house as collateral"; "I need cash today with bad credit"; "i [sic] need a loan with terrible credit"; "loan house as collateral."

102. Unlock Technologies' television ad stated that Unlock can help homeowners pay off their credit card debt or student loan debt and finance home remodels.

103. The credit scores of the Unlock Defendants' borrowers reflect this targeting of homeowners "who can't get a loan." Of eighty-six known Minnesota homeowners who took out an Unlock home loan, 33.7% had a credit score of less than 580, which the U.S. Consumer Financial Protection Bureau (CFPB) categorizes as "deep subprime." Another 22% of these borrowers had credit scores between 580 and 619, which the CFPB categorizes as "subprime."

104. The Unlock Defendants' Underwriting Policy demonstrates that they are not dissuaded by low credit scores. In fact, the Unlock Defendants want to qualify all applicants

regardless of credit score, because the Unlock Defendants take a higher percentage to compensate for the additional risk. The Unlock Defendants Underwriting Policy states the following:

> Unlock will make every effort to qualify an applicant, but the applicant's credit score has an impact on the exchange rate that they will be offered in the Unlock Agreement. In general, the lower the credit score, the higher the Unlock Percentage to compensate for the additional risk.

The Unlock Defendants therefore additionally benefit from targeting customers who have poor credit.

105. The Unlock Defendants purport to have Homeowner Eligibility criteria that dictate requirements that a customer must meet, according to their Underwriting Policy, as set forth below:

> In order to be eligible for an Unlock Agreement, the applicant(s) / homeowner(s) must meet the following criteria:
>
> - **Citizenship:** The homeowner(s) must be a U.S. Citizen or Permanent Resident Alien with a Green Card
> - **Identity:** The homeowner(s) must have a valid Social Security Number and provide acceptable proof of identity
> - **Credit Score:** For details, see the Credit Reporting section
> - **Credit Events:** The homeowner(s) shall not have any major credit events such as bankruptcy, foreclosure, short sale, deed in lieu, or foreclosure in the previous 5 years. For more details, see the Credit Reporting section
> - **Mortgage Delinquencies:** The homeowner(s) shall not no 90-day mortgage delinquencies in the past 2 years and no 120-day delinquencies within the past 3 years. Unlock may make a case-by-case exception for COVID related or CARES Act forbearances based on circumstances.
> - **Legal Judgments:** The homeowner(s) may not have any legal judgments or pending litigation impacting the subject property at the time of application. For more details, see the Credit Reporting section
> - **Title:** The homeowner(s) must be the legal owner(s) of the subject property. In addition, all legal owners must be party to the Unlock Agreement. For more details, see the Property Title section
> - **Trusts:** Inter Vivos Revocable Trusts are eligible but homeowner(s) must be the trustee(s)

However, the Underwriting Policy states that there is an Exception Process by which "Unlock, in its sole discretion, may decide to approve a transaction that falls outside the eligibility guidelines provided in the [Underwriting Policy]." This Exception Process demonstrates the license Unlock grants itself to make loans to people who cannot afford them, who may not have even been approved by Unlock's own lax standards for approving an application, as detailed below.

VII. UNLOCK IS AN EQUITY-BASED LENDER THAT DOES NOT VERIFY A HOMEOWNER'S ABILITY TO REPAY THE LOAN.

106. The Unlock Defendants do not verify a homeowner's ability to repay the loan because they lend based on their ability to recover principal, interest, and other costs from the liquidation of the homeowner's property.

107. Unlock Technologies described its equity-based lending process as follows:

> Unlock does not typically have any income or employment eligibility requirements because there are no monthly payments. *In lieu of ability-to-repay, Unlock employs asset-based underwriting by evaluating the home value, future home appreciation, and equity position of the home*. While Unlock reviews personal credit and enforces specific eligibility requirements, its investment decisions are largely driven by the value, condition, and leverage associated with the underlying property.

(Emphasis added.)

108. In other words, Unlock Technologies expects to be repaid not because the consumer can afford to repay but because the loan is secured by the consumer's home, subject to foreclosure. Typical mortgage lenders that abide by mortgage regulations, meanwhile, must evaluate homeowners' debt-to-income ratio to ensure that the loan applicant does not have excessive debts that would impair their ability to repay the loan when repayment is due. The Unlock Defendants, however, do not verify income for most of their borrowers. They only require income verification for homeowners with credit scores below 550, which is a subset of the "deep subprime" homeowners with credit scores under 580.[7]

[7] *Borrower Risk Profiles*, CFPB, https://www.consumerfinance.gov/data-research/consumer-credit-trends/credit-cards/borrower-risk-profiles/.

109. This indifference to whether a customer can actually repay without resorting to a forced sale of their home, the sale of the home based on the threat of foreclosure, or the taking out of a new Unlock Mortgage Agreement defies the purpose behind the Minnesota Residential Mortgage Originator and Servicer Licensing Act.

COUNT I
MORTGAGE ORIGINATOR AND SERVICER LICENSING ACT
MINN. STAT. CH. 58

110. The AG re-alleges paragraphs 1 through 109 of this Complaint.

111. The Minnesota Residential Mortgage Originator and Servicer Licensing Act was first enacted in 1998 "to regulate the residential mortgage origination and servicing industry." *Pomrenke v. Comm'r of Commerce*, 677 N.W.2d 85, 90 (Minn. App. 2004). It requires that mortgage originators be subject to supervision in their conduct by a state agency—the Minnesota Department of Commerce—and that they abide by safety and soundness requirements and avoid engaging in deceptive, abusive, and predatory acts as specified in the statute.

112. Subdivision 1 of section 58.04 provides that "[n]o person shall act as a residential mortgage originator, or make residential mortgage loans without first obtaining a license[.]" A person violates the statute's licensing requirement if they either "act as a residential mortgage originator" or "make residential mortgage loans" without a license.

113. Subdivision 3 of section 58.04 further states that "[n]o person required to be licensed under this chapter may, without a license, do business under a name or title or circulate or use advertising or make representations or give information to a person, that indicates or reasonably implies activity within the scope of this chapter."

114. One alternative basis for application of the statute and licensing requirements—"making [of] residential mortgage loan[s]"—is defined in subdivision 12 of section 58.02. It states, "[m]aking a residential mortgage loan means for compensation or gain, or the expectation of

compensation or gain, to advance funds or make a commitment to advance funds in connection with a residential mortgage."

115. The other alternative basis for application of the statute and licensing requirements — acting as a "residential mortgage originator"—is defined by subdivision 19 of section 58.02. It provides that a "[r]esidential mortgage originator means a person who, directly or indirectly, for compensation or gain or in expectation of compensation or gain, solicits or offers to solicit, or accepts or offers to accept an application for a residential mortgage loan through any medium or mode of communication from a borrower, or makes a residential mortgage loan." Subdivision 18 of section 58.02 further provides that "[r]esidential mortgage loan" is "a loan secured primarily by … a mortgage, deed of trust, or other equivalent security interest on residential real estate."

116. Defendants meet both alternative bases for application of the statute and licensing requirements under chapter 58. First, they advance funds or make a commitment to advance funds to Minnesota consumers and do so for compensation or gain or in expectation of compensation or gain. Thus, they have made residential mortgage loans under subdivision 12 of section 58.02 and are subject to licensing supervision by the Minnesota Commissioner of Commerce pursuant to that law. Second, they, either "directly or indirectly," have "solicit[ed] or offer[ed] to solicit, or accept[ed] or offer[ed] to accept an application for a residential mortgage loan through any medium or mode of communication from a borrower" under subdivision 19 of section 58.02 and done so "for compensation or gain or in expectation of compensation or gain." Thus, they are subject to supervision by the Minnesota Commissioner of Commerce and regulations under that law. The mortgage loans made by Defendants in Minnesota are secured by their interest in the homeowners' residential real estate and thus are residential mortgage loans within the meaning of Minn. Stat. § 58.02, subd. 18.

117. None of the Defendants are or have been licensed by the Department of Commerce under chapter 58 and thus are in violation of § 58.04, subdivision 1.

118. Unlock Technologies, Inc., on behalf of itself and Unlock Partnership Solutions, Inc. and Unlock Partnership Solutions AO2, Inc., through the Unlock Technologies website, through advertisements on the internet and television, and through communications by sales representatives, have represented and communicated information to Minnesotans that reasonably implies Defendants make loans that are residential mortgage loans. By making these representations and communications without a license, Defendants have violated § 58.04, subdivision 3.

119. Section 58.13, subdivision 1 further provides for various prohibitions on persons subject the licensing requirement (as well as those "acting as a residential mortgage originator" even if they are exempt from the licensing requirements). Defendants violated those prohibitions as follows:

a. **Verification of Ability to Pay**. Subparagraph 24 requires a mortgage originator to "verif[y] the borrower's reasonable ability to pay the scheduled payments." Defendants do not reasonably verify the homeowner's ability to repay amounts due to Unlock under the terms of the Unlock Mortgage Agreement, and thus have violated section 58.13, subdivision 1(24).

b. **Avoiding Misrepresentation.** Subparagraphs 9 and 19 prohibit deceptive and misleading advertisements and statements to consumers. As detailed in counts IV through VII below and referenced hereby, Defendants make misrepresentations that violate subparagraphs 9 and 19.

120. Section § 58.15, subdivisions 1 and 2, further requires that a residential mortgage originator who "does not contract or offer to contract to act as an agent of a borrower, or accept an advance fee, it must, within three business days of accepting an application for a residential mortgage loan, provide the borrower with a written disclosure as provided in subdivision 2" where

subdivision 2 requires that "[t]he disclosure must be a separate document . . . must be signed by the borrower and must contain the following statement in 14-point boldface print: **Originator** IS NOT ACTING AS YOUR AGENT IN CONNECTION WITH OBTAINING A RESIDENTIAL MORTGAGE LOAN. WHILE WE SEEK TO ASSIST YOU IN MEETING YOUR FINANCIAL NEEDS, WE CANNOT GUARANTEE THE LOWEST OR BEST TERMS AVAILABLE IN THE MARKET." (emphasis in original).

121. Defendants do not contract or offer to contract as the agent of their borrowers, and do not make the disclosure required by section 58.15, subdivisions 1 and 2.

122. Defendants' conduct, practices, and actions described in this Complaint constitute multiple separate violations of chapter 58.

COUNT II
MINNESOTA REGULATED LOAN ACT
MINN. STAT. CH. 56

123. The AG re-alleges paragraphs 1 through 109 of this Complaint.

124. The Minnesota Regulated Loan Act requires persons to be licensed by the Department of Commerce if they are engaged "in the business of making loans of money [or] credit" in amounts less than $100,000 and "charge, contract for, or receive on the loan a greater rate of interest, discount, or consideration than the lender would be permitted by law to charge if not a licensee under this chapter [58]." Minn. Stat. §§ 56.01, 56.131. The ordinary "rate of interest, discount, or consideration" that is permitted for non-licensees is generally found in Minn. Stat. ch. 334 (Minnesota's general usury law), which caps the amount that a lender can receive on closed-end credit at an annual rate of 8%. Thus, generally, a lender that wishes to "charge, contract for, or receive" a return on a loan in any manner that exceeds an annual rate of 8% must obtain a license

under chapter 56 and be supervised as a regulated lender by the Minnesota Department of Commerce.[8]

125. Chapter 56 defines "person" to include corporations. Minn. Stat. § 56.001, subd. 8. Defendants are thus persons within the meaning of the statute.

126. The agreements offered by Defendants are subject to chapter 56. Defendants advance sums less than $100,000 to Minnesota homeowners for temporary use and in exchange for expected compensation. The fees and returns charged for or collected by Defendants in excess of the advance they make to consumers is interest (as defined *infra* at ¶ 145).

127. None of the Defendants had a chapter 56 license when operating in Minnesota and when they charged, contracted for, or received payments that exceed chapter 334's general annualized interest rate cap of 8%. Defendants' maximum interest rate (i.e., their "Annualized Cost Limit") on such loans exceeds 8% and does not always account for origination fees that should be included in the calculation of that rate.

128. Defendants' conduct, practices, and actions described in this Complaint constitute multiple separate violations of chapter 56.

COUNT III
USURY
MINN. STAT. CH. 334

129. The AG re-alleges paragraphs 1 through 109 of this Complaint.

[8] A lender licensed as a mortgage originator under chapter 58 thus requires a license under chapter 56 (or must qualify to lend at higher rates under authorization of a different statute) if it wishes to lend above default usury rates. Both licenses are not required, however, because chapter 58 exempts from its licensing requirements any lender who is licensed under chapter 56. In any event, none of the Unlock Defendants were licensed under chapter 56 (as a regulated lender) or chapter 58 (as a mortgage originator).

130. Chapter 334 is Minnesota's general usury statute, limiting how much a person may "directly or indirectly take or receive in money, goods, or things in action, or in any other way, any greater sum, or any value, for the loan or forbearance of money, goods, or things in action" at an annual rate of 8%. Minn. Stat. § 334.01, subd. 1.

131. Unlock Partnership Solutions, Inc. and Unlock Partnership Solutions AO2, Inc., under Unlock Technologies' management, offer and make loans to homeowners in Minnesota lower than $100,000. As discussed in ¶ 116 above, the Unlock Mortgage Agreements are loans. They are also "the … forbearance of money."

132. None of the Defendants are licensed under Chapter 56 and therefore are not eligible for higher rates available for other regulated financial institutions.

133. The Unlock Mortgage Agreements allow for the collection of annual interest rates and/or effective annual interest rates greater than 20%.

134. Defendants have collected on loans in a way that exceeds the 8% annual rate limit under chapter 334. For example:

a. Defendants entered into an Unlock Mortgage Agreement effective May 5, 2022, which contracted for an investment payment of $80,000. The homeowner paid a $2,400 origination fee, which was subtracted from the investment payment. The homeowner refinanced their original Unlock Mortgage Agreement with a new Unlock Mortgage Agreement, terminating the original Agreement on September 15, 2022, at which point the Unlock share was $85,235.01. Unlock earned approximately 18.68% interest on the original loan.

b. Defendants entered into an Unlock Mortgage Agreement effective May 14, 2022, which contracted for an investment payment of $50,000. The homeowner paid a $1,500 origination fee, which was subtracted from the investment payment. The homeowner refinanced their original Unlock Mortgage Agreement with a new Unlock Mortgage Agreement, terminating the original Unlock Mortgage Agreement on April 21, 2023, at which point the Unlock share was $58,851. Unlock earned approximately 19.50% interest on the original loan.

Remaining loans that settled had final simple interest rates ranging from 9.45% to 19.50% rates.

135. In one of Defendants' examples in their product guide, Unlock earns over 10% interest even if the loan reaches the full ten-year term.

136. Section 334.03 provides that any contract that violates section 334.01 "shall be void."

137. Defendants' conduct, practices, and actions described in this Complaint constitute multiple separate violations of chapter 334.

COUNT IV
PREVENTION OF CONSUMER FRAUD ACT
MINN. STAT. § 325F.69

138. The AG re-alleges paragraphs 1 through 109 of this Complaint.

139. Minn. Stat. § 325F.69, subdivision 1, provides:

> The act, use, or employment by any person of any fraud, unfair or unconscionable practice, false pretense, false promise, misrepresentation, misleading statement or deceptive practice, with the intent that others rely thereon in connection with the sale of any merchandise, whether or not any person has in fact been misled, deceived, or damaged thereby, is enjoinable as provided in section 325F.70.

140. Such conduct is actionable "whether or not any person has in fact been misled, deceived, or damaged thereby." Minn. Stat. § 325F.69, subd. 1.

141. The term "merchandise" within the meaning of section 325F.69 includes intangibles, loans, or services. Minn. Stat. § 325F.68, subd. 2.

142. Section 325F.69, subdivision 8, also prohibits unfair or unconscionable practices, defined as any "act [] or practice that: (1) offends public policy as established by the statutes, rules, or common law of Minnesota; (2) is unethical, oppressive, or unscrupulous; or (3) is substantially injurious to consumers." Minn. Stat. § 325F.69, subd. 8.

143. Defendants have solicited consumers to enter into mortgage loans and originated, or caused to be originated, mortgage loans in Minnesota.

144. Defendants have engaged in misrepresentations, misleading statements, or deceptive practices by representations, express or implied, that Defendants' mortgage loans are not loans and do not create debt. In reality, consumers enter into a contractual obligation to receive money upfront and owe Defendants an origination fee at the outset of the loan and a repayment at a future date, and that debt is secured by a mortgage on the consumer's home.

145. Defendants have violated the MCFA by representations, express or implied, that Defendants' mortgage loans do not charge or collect interest. In reality, Defendants' loans charge a large origination fee as a condition of extending credit and contract to receive additional repayment in the form of a percentage of the consumer's home value that vastly exceeds the principal. *See, e.g., Interest*, BLACK'S LAW DICTIONARY (12th ed. 2024) (defining "interest" as "[t]he compensation fixed by agreement or allowed by law for the use or detention of money, or for the loss of money by one who is entitled to its use; esp., the amount owed to a lender in return for the use of borrowed money.").

146. Defendants misled customers when they advertised that their agreements do not require the consumer's home to serve as collateral to the loan. In reality, Defendants' loans are secured by a mortgage on the consumer's home and that security is subject to potential foreclosure if the debt is not paid.

147. Defendants have violated the MCFA by representations, express or implied, that Defendants' recovery above the principal is capped by an "annualized cost limit" when that limit does not account for the large origination fee that the consumer must pay. An "annual percentage rate" that is generally used in the consumer-lending industry includes such origination fees in the calculation as a cost of financing. In those cases where origination fees are not included in

Defendants' advertised maximum rates, it misleads the consumer concerning the actual amount that Unlock can collect on the loan and prevents effective comparison shopping.

148. The following actions by Defendants also violated the MCFA and constitute unfair or unconscionable practices:

a. Using tactics that hide the true substance and form of the loan and appear to be designed to evade regulatory supervision of their high-cost mortgage lending.

b. Using sales representative scripts that falsely represent to every prospective customer that their product is "perfect" for them.

c. Exploitatively targeting and entering into contracts with customers who they know are insolvent or do not have the ability to repay debts and securing the right to foreclose for this very reason.

149. Defendants' conduct, practices, and actions described in this Complaint constitute multiple separate violations of Minn. Stat. § 325F.69.

COUNT V
UNIFORM DECEPTIVE TRADE PRACTICES ACT
MINN. STAT. § 325D.44.

150. The AG re-alleges paragraphs 1 through 109 of this Complaint.

151. Minn. Stat. § 325D.44 (the Uniform Deceptive Trade Practices Act or "UDTPA"), subdivision 1, states:

> A person engages in a deceptive trade practice when, in the course of business, vocation, or occupation, the person:
>
> ***
>
> (5) causes likelihood of confusion or of misunderstanding as to the source, sponsorship, approval, or certification of goods or services;
>
> ***
>
> (9) advertises goods or services with intent not to sell them as advertised;
>
> ***

> (13) engages in (i) unfair methods of competition, or (ii) unfair or unconscionable acts or practices; or
>
> ***
>
> (14) engages in any other conduct which similarly creates a likelihood of confusion or of misunderstanding.

152. The term "unfair or unconscionable act or practice" means any "act[] or practice that: (1) offends public policy as established by the statutes, rules, or common law of Minnesota; (2) is unethical, oppressive, or unscrupulous; or (3) is substantially injurious to consumers." Minn. Stat. § 325F.69, subd. 8.

153. Deceptive practices under section 325D.44 may be enjoined and "proof of monetary damage, loss of profits, or intent to deceive is not required." Minn. Stat. § 325D.45.

154. Defendants have violated the UDTPA subdivision 1(5), 1(9), and 1(14) by representations, express or implied, that Unlock mortgage loans are not loans.

155. Defendants have violated the UDTPA subdivision 1(5), 1(9), and 1(14) by representations, express or implied, that Defendants' mortgage loans do not create debt when they do create debt. In reality, consumers enter into a contractual obligation to receive money upfront and owe Unlock an origination fee at the outset of the loan and additional repayment at a future date, and that debt is secured by a mortgage on the consumer's home.

156. Defendants have violated the UDTPA subdivisions 1(5), (9), and 1(14) by representations, express or implied, that Defendants' mortgage loans do not impose interest charges when they do impose interest charges. *See supra,* ¶ *145, defining interest.* In reality, Defendants' loans charge a large origination fee as a condition of extending credit and contract to receive repayment in the form of a percentage of the consumer's home value that vastly exceeds the principal.

157. Defendants have violated the UDTPA subdivision 1(5), 1(9), and 1(14) by originating, or causing to be originated, mortgage loans to homeowners containing language that requires homeowners to agree that the mortgage loan is not a loan and is not subject to state law concerning consumer credit.

158. Defendants have violated the UDTPA subdivision 1(5), 1(9), and 1(14) by lying to customers when they advertised that their agreements do not require the consumer's home to serve as collateral to the loan, when they in fact do require the home to serve as collateral. In reality, Defendants' loans are secured by a mortgage on the consumer's home and that security is subject to potential foreclosure if the debt is not paid.

159. Defendants have violated the UDTPA subdivision 1(13) when they engaged in unfair methods of competition, or unfair or unconscionable acts or practices by:

a. Mispresenting in advertisements and with aggressive sales tactics that hide the true substance and form of the loan.

b. Using uniform and unscrupulous sales representative scripts that falsely represent to every prospective customer that their product is "perfect" for them.

c. Exploitatively targeting and entering into contracts with customers who they know are insolvent or do not have the ability to repay debts and securing the right to foreclose for this very reason.

160. Defendants' conduct, practices, and actions described herein constitute multiple separate violations of section § 325D.44, subdivisions 1(5) (9), (13) and (14).

COUNT VII
FALSE STATEMENT IN ADVERTISING ACT
MINN. STAT. § 325F.67

161. The AG re-alleges paragraphs 1 through 109 of this Complaint.

162. Minn. Stat. § 325F.67 (the False Statement in Advertising Act or "FSAA") states:

> Any person, firm, corporation, or association who, with intent to sell or in anywise dispose of merchandise, securities, service, or anything offered by

> such person, firm, corporation, or association, directly or indirectly, to the public, for sale or distribution, or with intent to increase the consumption thereof, or to induce the public in any manner to enter into any obligation relating thereto, or to acquire title thereto, or any interest therein, makes, publishes, disseminates, circulates, or places before the public, or causes, directly or indirectly, to be made, published, disseminated, circulated, or placed before the public, in this state, in a newspaper or other publication, or in the form of a book, notice, handbill, poster, bill, label, price tag, circular, pamphlet, program, or letter, or over any radio or television station, or in any other way, an advertisement of any sort regarding merchandise, securities, service, or anything so offered to the public, for use, consumption, purchase, or sale, which advertisement contains any material assertion, representation, or statement of fact which is untrue, deceptive, or misleading, shall, whether or not pecuniary or other specific damage to any person occurs as a direct result thereof, be guilty of a misdemeanor, and any such act is declared to be a public nuisance and may be enjoined as such.

163. The mortgage loans originated, or caused to be originated, by Defendants are "merchandise . . . service, or anything offered . . . directly or indirectly, to the public" within the meaning of the FSAA.

164. Defendants have violated the FSAA through sales representative scripts that falsely represent to every prospective customer that their product is "perfect" for them.

165. Defendants have violated the FSAA through deceptive and misleading representations that Unlock mortgage loans are not loans.

166. Defendants have violated the FSAA through deceptive and misleading representations that Unlock mortgage loans do not carry interest charges.

167. Defendants have violated the FSAA through deceptive and misleading representations that Defendants' mortgage loans do not create debt.

168. Defendants have violated the FSAA through deceptive and misleading representations to customers that their agreements do not require the consumer's home to serve as collateral to the loan, when they in fact do require the home to serve as collateral.

169. Defendants are liable for these violations because they marketed, offered, and executed residential mortgage loans with homeowners, then enforced those agreements against consumers.

PRAYER FOR RELIEF

1. The AG asks this Court to award judgment against Unlock Technologies Inc., Unlock Partnership Solutions, Inc., and Unlock Partnership Solutions AO2, Inc. as follows:

2. Declaring that the conduct of Unlock Technologies Inc., Unlock Partnership Solutions, Inc., and Unlock Partnership Solutions AO2, Inc. described herein constitute multiple, separate violations of Minn. Stat. chs. 56, 58, and 334 and §§ 325F.69, 325D.44, and 325F.67;

3. Enjoining Unlock Technologies Inc., Unlock Partnership Solutions, Inc., and Unlock Partnership Solutions AO2, Inc. and their employees, officers, directors, agents, successors, assignees, affiliates, merged or acquired predecessors, parents or controlling entities, subsidiaries, and all other persons acting in concert or participation with it, from engaging in the unlawful acts and practices described herein and from violating Minn. Stat. chs. 58, 56, and 334; and §§ 325F.69, 325D.44, and 325F.67, including crafting preventative and reparative injunctive relief that cancels proportionate loan balances or otherwise stops collection of interest, fees or loan amounts on illegally originated mortgage loans along with all other injunctive relief necessary to prevent and restrain both new violations and ongoing harm related to past violations;

4. Awarding restitution or any other consumer relief under the applicable statutes, common law *parens patriae* authority, Minn. Stat. § 8.31, as well as the general equitable powers of this Court and any other authority, for all persons injured by the violations of Unlock Technologies Inc., Unlock Partnership Solutions, Inc., and Unlock Partnership Solutions AO2, Inc. as described in this Complaint, including allowing for rescission of loans and/or ordering Unlock Technologies Inc., Unlock Partnership Solutions, Inc., and Unlock Partnership Solutions

AO2, Inc. to identify and refund all amounts paid by homeowners on fees and other costs associated with the Unlock Technologies, Inc., Unlock Partnership Solutions, Inc., and Unlock Partnership Solutions AO2, Inc. agreements;

5. Awarding judgment against Unlock Technologies Inc., Unlock Partnership Solutions, Inc., and Unlock Partnership Solutions AO2, Inc. for civil penalties pursuant to Minn. Stat. § 8.31 for each separate violation of Minnesota law and as necessary to effectively enforce applicable statutes and deter violations by Defendants and other parties;

6. Awarding the AG its costs, including costs of investigation and attorneys' fees, as authorized by Minn. Stat. § 8.31; and

7. Granting such further relief as provided by law or as the Court deems appropriate and just.

Dated: February 9, 2026

Respectfully submitted,

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MINN. STAT. § 549.211 ACKNOWLEDGMENT

The party on whose behalf the attached document is served acknowledges through its undersigned counsel that sanctions, including reasonable attorney fees and other expenses, may be awarded to the opposite party or parties pursuant to Minn. Stat. § 549.211.

/s/ Rebecca Stillman
REBECCA STILLMAN

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