

Texas 50(a)(6) and 50(a)(4) Refinances Wholesale and CORR	30TX50A6	30TX50A4
	25TX50A6	25TX50A4
	20TX50A6	20TX50A4
	15TX50A6	15TX50A4
	10TX50A6	10TX50A4
	5/1TX50A6	5/1TX50A4
	7/1TX50A6	7/1TX50A4
	10/1TX50A6	10/1TX50A4

Any topic not specifically covered in this document can be located in Western Bancorp’s Fannie Premium Guidelines or directly through Fannie Mae Guide chapter: [B4.1-01-05](#) .

Loan Type		Min Fico	LTV	DTI (Per AUS up to)	Occupancy	Property Type	AUS Requirement
Texas 50(a)(6) Cash-Out Refinance	Fixed	620	80%(1)	50%	Owner Occupied	1 – 4 units SFR, Condo*, PUD, Townhouse & Manufactured Home (2)(3)	DU Approve/Eligible
	ARM						
Texas 50(a)(4) Rate and Term Conversion Refinance	Fixed						
	ARM						

Minimum Loan Amount: \$50,0000

Maximum Loan Amount: General Loan / County Limits

- (1) See ARM & Eligible Product section of the guidelines for acceptable terms
- (2) Manufactured Homes: Allowed on 20 & 30YR Fixed only.
- (3) Manufactured Homes: R/T Limited to 80%LTV and Cash Out limited to 65% LTV

Texas Section 50(a)(6) Refinance Eligibility Matrix

This document does not replace Agency guidelines. All loans must be originated in accordance with: 1) the Texas Constitution; 2) Texas Civil Statutes; 3) the Texas Finance Code; 4) all Applicable Laws; 5) applicable Agency guidelines, unless otherwise noted in this document; and 6) Western Bancorp Seller Guide. In the event of any conflicts between this document, Agency Guidelines, Applicable Laws, and/or LenderLive Seller Guide; follow the more restrictive guidance.

This Matrix is intended to be used as a guide and may not account for all scenarios.

<i>If the following conditions exist:</i>						<i>Then the new loan is considered:</i>		
Current Lien(s) 1 st and 2 nd (1) (2)	Is Current 1st a 50(a)(6)?	Is Current 2nd a 50(a)(6)?	Is 2nd to be Paid Off?	Is 2nd to be Subordinated?	Any Cash to Borrower <u>OR</u> Debt Payoffs which fall outside of the A1 through A5 criteria?	Limited Cash Out (Rate & Term) Refi	Cash Out Refinance	Subject to 50(a)(6)?
1 st Mortgage Only; No existing 2 nd Mortgage	No				No	x		No*
	No				Yes		x	Yes
	Yes				No	x		Yes
	Yes				Yes		x	Yes
1 st & 2 nd Mortgage	No	Yes	No	Yes	Not Permitted	x		Not Permitted
	No	Yes	Yes		No		x	Yes
	No	Yes	Yes		Yes		X	Yes

* If "No" loan is not subject to Texas 50(a)(6) requirements. Follow Rate and Term or Cash-out Eligibility and Requirements in Applicable Program Guideline

- Second mortgage that is subject to 50(a)(6) may not be re-subordinated if the new first mortgage will be subject to Section 50(a)(6); it must be closed.
- **(2)** HELOC subordinate financing is **not** permitted

Texas Home Equity Lending

WHAT MAKES TEXAS DIFFERENT?

Article XVI Section 50(a) of the Texas Constitution provides the homestead of a family, or single adult person, shall be, and is hereby protected from forced sale for the payment of all debts except for eight specific types of debt.

The eight permissible reasons to establish a valid lien on homestead property under Section 50(a) are:

- 50(a)(1) purchase money mortgages.
- 50(a)(2) taxes due on the homestead.
- 50(a)(3) an Owelty partition imposed against the entirety of the property by a court order or a written agreement of the parties to the partition, including a debt of one spouse in favor of the other spouse resulting from a division or award of a family homestead in a divorce proceeding.
- 50(a)(4) the refinance of a lien against a homestead, including a federal tax lien resulting from the tax debt of both spouses, if the homestead is a family homestead, or from the tax debt of the owner.

- 50(a)(5) home improvement loan or new construction of homestead property.
- 50(a)(6) Texas cash-out loan,
- 50(a)(7) a reverse mortgage.
- 50(a)(8) conversion and refinance of personal property lien secured by a manufactured home to a real property lien.

Only these eight specific debts can result in a valid lien in homestead property. Civil judgments, not meeting these criteria, cannot properly attach to homestead property.

WBC will only close loans pursuant to the following three permissible homestead liens:

- **50(a)(1)** Texas Purchase Money loans (please refer to WBC FNMA Premium Guidelines)
- **50(a)(4)** the refinance of a lien against a homestead, including a federal tax lien resulting from the tax debt of both spouses, if the homestead is a family homestead, or from the tax debt of the owner, and
- **50(a)(6)** Texas cash-out loan

Texas 50(a)(6) General Requirements

The restrictions imposed by Section 50(a)(6) Article XVI of the Texas Constitution require that the loan be originated and closed subject to all the requirements outlined within this section.

Texas 50(a)(6) loans are subject to the following restrictions:

- A 50(a)(6) loan may not be closed sooner than 12 months after the closing of the previous 50(a)(6) loan.
- There can be only one 50(a)(6) loan secured by the property at one time.
- The 50(a)(6) loan may not be used to acquire the property or to finance construction.

A Texas Equity Loan may not be closed before the 12th calendar day after the later of:

- the date that the owner submits a loan application to a lender, or
- the date that each owner signs the Notice Concerning Extensions of Credit disclosure.
 - Each loan file must contain the Notice Concerning Extensions of Credit disclosure that is signed by each owner and spouses of each owner, within the required time frame.
 - This disclosure is required to be sent to the borrower(s) prior to closing.
 - **NOTE:** WBC **will not** accept an acknowledgment signed by the owners at closing stating that they received the Notice Concerning Extensions of Credit disclosure at least 12 days prior to closing.
 - The 12 days start with the later of either the borrower(s) signature on the disclosure or the borrower(s) electronic acknowledgement. **Note:** If the initial application (1003) is signed and dated after the Notice Concerning Extension of Credit, then the 12 days begin based on the date of the 1003.

Conveyed Property:

	<ul style="list-style-type: none"> Any consumer initiated conveyances of the property adding new owners must be completed at least 12 days before closing and the new owners must receive the “Notice Concerning Extensions of Credit” at least 12 days before closing. <p>Individuals on Note:</p> <ul style="list-style-type: none"> Only individuals/trusts currently vested on title may be on the Note. Non-vested spouses may not be on the Note. <p>Identification of Spouses:</p> <ul style="list-style-type: none"> It is the responsibility of the Underwriter to ascertain all the owners of the property, and the owners’ spouses, including common-law spouses. <p><u>Correspondent Sellers:</u> Each owner of the property and each spouse of an owner (and owner spouse) must sign the Texas Home Equity Affidavit and Agreement.</p> <ul style="list-style-type: none"> Provided at closing Notice Concerning Extension of Credit <p>Fair Market Value Acknowledgement by each owner and Lender is required:</p> <ul style="list-style-type: none"> The owners and the lender must sign a written acknowledgment as to the fair market value of the homestead on the date the Texas Equity Loan is made. A Texas Equity Loan is not eligible if the lender fails to sign the Acknowledgment of Fair Market Value either on the date of closing. <p>The Acknowledgement or Fair Market Value Provided at closing must support that:</p> <ul style="list-style-type: none"> An appraisal must be attached to the written acknowledgment Each property owner and each owner’s spouse are required to certify, at closing, that he or she received the required copies. The certifications of receipt may be on separate forms for each borrower.
<p>TX 50 (a)(6) & TX 50(a)(4) Eligible Refinance Types</p>	<p>The generally accepted commercial terms used to describe Mortgages originated under Article XVI of the Texas Constitution ("cash-out refinance," "rate-term refinance") may not correspond to the meaning given by Fannie, and may differ for purpose of loan eligibility and underwriting requirements.</p> <p>Regardless of the definition under Texas law, the loan must comply with the Fannie Mae definitions of “cash-out refinance,” and “rate-term refinance”, and must be eligible for financing under the applicable loan eligibility and underwriting requirements of this program guideline and applicable agency Seller Guide for Texas Refinance transactions.</p>

TX 50 (a)(6) Cash-Out Refinance

Must be either a:

- “*Cash-out*” refinance Mortgage, as described in Fannie Mae [Chapter B2.2.03](#) Seller Guide, or a,
- “*Limited*” “*no cash-out*” refinance Mortgage as described in Fannie Mae [Chapter B1.2-02](#) Seller Guide, depending on the applicable facts.

Refinance of the borrower’s homestead property (primary residence) which falls within any of the following parameters must be closed as a Texas Section 50 (a)(6) cash-out refinance transaction:

- Borrower will receive any cash out at closing, even as little as \$1.
- Loan proceeds will be used to pay off an existing Texas Section 50(a)(6) 1st lien (will be shown on the title commitment as an “equity loan”).
- Loan proceeds can be used to pay off secured debt or unsecured debt.
- Loan proceeds can be used to pay off federal tax debt liens.
- Loan proceeds can be used to pay property tax liens on the property securing the new loan.
- Proceeds from a Texas 50(a)(6) mortgage must not be used to acquire or improve the homestead if a mortgage for that purpose could have been made under a different provision of the Texas Constitution.

See Fannie Mae [Chapter B2.2.03](#) Seller Guides for loan specific requirements.

TX 50 (a)(6) Refinance Rate and Term (No Cash-Out)

- A loan is a Limited Cash-Out (Rate & Term/No Cash Out) Refi if the first mortgage being paid off is a Texas Section 50(a)(6) loan and the borrower is not receiving any cash back from the transaction, subject to requirements noted above for conversion.
- Final CD and Settlement Statement(s) required from any transaction within past 6 months
- The property must have been purchased (or acquired) by the borrower at least six months prior to the disbursement date of the new mortgage loan.

Existing Texas Owelty Liens TX 50(a)(3):

If the transaction includes the buyout of a spouse, domestic partner, fiancé or fiancée, the loan must be approved via DU in order for the transaction to be originated as a rate/term refinance.

- The payoff of an Owelty lien may be treated as a rate and term refinance transaction and is not subject to TX 50(a)(6) Home Equity requirements.
- The divorce decree and separation agreement must be recorded.

- The property must have been purchased (or acquired) by the borrower at least six months prior to the disbursement date of the new mortgage loan.
 - **Refer to:** Refinances to Buy Out An Owner’s Interest in Chapter [B2-1.2-02](#) of the Fannie Mae Seller Guide for requirements.

Proceeds for Rate and Term Refinance may be used to:

- Pay off the first Mortgage, regardless of its age;
- Pay off any junior liens secured by the Mortgaged Premises, that were used in their entirety to acquire the subject property;
- Payoff of Home Improvement Loan -For an Agency Rate/Term Refinance, only a purchase money mortgage may be paid off;
- Payoff Spouse or other financed owner subject to both the Texas 50(a)(4) Rules and Fannie Mae Requirements
- Pay allowable related Closing Costs.

TX 50(a)(4) Refinance – Conversion of an existing TX 50 (a)(6) Home Equity Loan to Rate and Term

A seasoned Texas 50(a)(6) loan can be refinanced into a non-home equity refinance (Rate/Term) under Texas 50(a)(4) if all applicable guidelines are met.

- The refinance loan is closed at least 12 months after the 50(a)(6) home equity loan was closed⁽¹⁾
- The transaction cannot exceed 80 percent LTV/CLTV of the fair market value of the subject homestead property
- No additional funds are advanced other than:
 - The funds advanced to refinance the Texas Section 50(a)(6) Equity Loan; or
 - Actual costs and reserves required by the lender to refinance the Texas Section 50(a)(6) Equity Loan.
- **Borrower Affidavit:** The loan file must contain a *separate affidavit* signed by the owner(s) acknowledging that the requirements of Texas Section TX 50(a)(4) have been met within the applicable timeframe

Correspondent Sellers:

- **Affidavit Recordation Requirement:** WBC and agencies require the Affidavit be recorded with Security Instrument.
- **Valuation:** The lender must establish that the mortgage does not exceed 80% of the home’s value on the day of close.

⁽¹⁾The term “loan closed” is defined as the date that each owner and the spouse of each owner signed the security instrument.

Age of Documents

All Documentation inclusive of the credit, income, asset and collateral must be dated within 120 days of the date the Note is signed.

Adjustable Rate Mortgage Terms	Characteristic	ARM Plan Terms			
	Qualifying Rate	ARMs with an initial fixed-rate period of five years or less	Greater of the note rate plus 2% or the fully indexed rate		
ARMs with an initial fixed-rate period of greater than five years		Greater of the note rate or the fully indexed rate			
Higher Priced Mortgage Loans (HPML)	Not permitted				
Amortization Term	30 years				
Index	1 year WSJ LIBOR				
Margin	2.25%				
Life Floor	5% below the start rate, but never lower than the margin.				
Interest Rate Caps	Product	First Adjustment	Subsequent Adjustments	Lifetime	
	5/1	2%	2%	5%	
	7/1	5%	2%	5%	
	10/1	5%	2%	5%	
Conversion Option/ Buydowns	Not allowed				
Assets	<p>Regardless of the AUS the following will apply:</p> <ul style="list-style-type: none"> A written VOD is acceptable only as a supplement, to either the most recent statement for each account, or statement(s) for the most recent two months. A written VOD, as a standalone document is not acceptable form of documentation to verify assets. 				
AUS/Underwriting	<p>Texas Section 50(a)(6) loans are eligible for the reduced documentation requirements recommended by DU, provided that all other terms and conditions for Texas Section 50(a)(6) loans are met.</p> <p><u>Correspondent Sellers:</u></p> <p>DU Data entry: Only enter loan as cash-out if the borrower is truly getting cash-out on the subject transaction.</p> <p>Special Feature Codes:</p> <ul style="list-style-type: none"> DU loans TX 50(a)(6): <ul style="list-style-type: none"> Special Feature Code 304 always applies to identify TX 50(a)(6) loans. DU loans Cash-out / Limited Cash out: <ul style="list-style-type: none"> Special Feature Code 003 should only be used if this transaction results in actual “cash out” to consumer. Special Feature Code 007 should be used to identify this transaction is a “limited cash-out refinance”. 				

<p>Borrower Eligibility</p>	<p>The following type Individuals are eligible when subject to TX 50 (a)(6):</p> <ul style="list-style-type: none"> • US Citizens • Permanent Resident Alien • Non-Permanent Resident Alien • Non-Borrowing Vested Spouse <p>Note: All owners and spouses of owners, must sign the application and the Notice Concerning Equity Loan Extension of Credit (English or Spanish) document. The signing of both of these documents starts the “Cooling Off Period”.</p> <p>The following individuals are <u>not eligible</u> when subject to TX 50 (a)(6):</p> <ul style="list-style-type: none"> • Non-occupant co-borrowers • Co-signors and guarantors • Foreign nationals • Corporations and partnerships, including family partnerships • Non-vested borrowers/spouse • Trusts • Conservatorship and Guardianships • Power of Attorney may not be used on TX Home Equity Transaction <p>Non-Borrowing Spouse vested on title: A married borrower may not create a lien against the property unless his/her spouse consents to the lien by signing the following:</p> <ul style="list-style-type: none"> • Texas Home Equity Notice • Security Instrument • Federal Truth-in-Lending (TIL) Disclosure Statement • Right of Rescission Notice • Discount Point Disclosure • Acknowledgment of Fair Market Value • Premium Pricing Disclosure <p style="padding-left: 40px;">–The signing of this document starts the 12 day ‘Cooling Off Period.’</p>
<p>Credit</p>	<ul style="list-style-type: none"> • Each borrower must have at least one valid credit score to be eligible • Non Traditional and Insufficient credit: Not Eligible

Debt-to-Income (DTI)	Refer to AUS and/or program matrix for allowable debt to income ratios.
Eligible/Ineligible Programs	<p>Eligible:</p> <ul style="list-style-type: none"> • 10, 15, 20, 25 & 30 Year Fixed Rate (DU only) • 5/1, 7/1 & 10/1 ARM (DU only) <p>Ineligible:</p> <ul style="list-style-type: none"> • LPA Fixed and ARM transactions • LPA Open Access • DU Refi Plus • Jumbo Loan Programs • Interest-Only or Buy-downs • Loans with Land Contracts • Loans with use of a Power of Attorney • Loans with Vesting in Trust • Higher Priced Mortgage Loans (HPML) • Lease/Rent with Option to Buy • Contract for Deed • Construction to Permanent Financing
Employment History	A full 2 year employment and income history must be reflected on the loan application and documented per the AUS and Fannie Mae Guidelines.
Escrow Waivers	Allowed per Fannie Guidelines
Income Documentation	An IRS Tax Transcript is required for all income used to qualify per AUS findings
Listed Properties	<p>Properties Listed For Sale in the Last 6 Months:</p> <ul style="list-style-type: none"> • Properties listed for sale within the last 6 months must be taken off of the market no less than 1 day prior to the application date and follow the documentation requirements outlined in this section. • <p>Cash out Refinances:</p> <ul style="list-style-type: none"> • Listing must be expired or cancelled at least 90 days prior to application date and follow the documentation requirements outlined in this section.

	<p>Documentation Required:</p> <ul style="list-style-type: none"> • A copy of the cancelled or expired MLS listing is required. • Affidavit from the borrower of their intent to occupy the subject and confirming no intention to re-list the property • There may be no evidence that property is being relisted with another agent or For Sale by Owner, etc.
Manual Underwriting	Not Permitted
Minimum Loan Amount	\$50,000
Maximum Loan Amount	General Conforming Loan / County Limits
Mortgage Credit Certificate (MCC)	Not Permitted
Property: Appraisal Requirements	<p>Appraisal Requirements:</p> <ul style="list-style-type: none"> • A new full appraisal is required including both interior and exterior <ul style="list-style-type: none"> ○ (Form 1004 or 1073 for condominiums). • The appraisal and the Acknowledgement as to Fair Market Value for the property must not include any property other than the homestead (primary residence). • The property should conform to and be acceptable in the market area. • PIW are not acceptable <p>Acknowledgment as to Fair Market Value is signed at closing:</p> <ul style="list-style-type: none"> • For purposes of compliance with the acknowledgment of the “fair market” value of the homestead property requirement, the “fair market value” must be based on an appraisal and the appraisal must be attached to the written acknowledgment. <p>Transferred Appraisals: Not permitted</p>
Property: Eligible Types	<p>1-unit, Owner Occupied Residence of the following types are permitted:</p> <p>Attached or Detached</p> <ul style="list-style-type: none"> • Single Family Residence • PUD/Townhouse

	<ul style="list-style-type: none"> • Condominium • Manufactured Home
Property: Ineligible Types	<p>The following property types are not permitted:</p> <ul style="list-style-type: none"> • Investment Properties • Second Homes • 2-4 Unit Properties • Rural Non-Homestead Property • Agricultural Property (may not have a property tax exemption for agricultural use as of the date of closing). If the property was previously designated with an agricultural exemption, the exemption must have been removed a minimum of 12 months prior to the application date. • Timber use properties (same restrictions as for agricultural-designated property) • Homestead Parcels with greater than 20 acres • Leasehold Properties • Cooperative Units • Deed Restricted Properties (except for Age restrictions) • Non-warrantable Condo & Condo Hotel • Mobile Homes • Mixed Use Properties • Properties with Accessory Dwelling Units • Properties subject to PACE or HERO • Commercial & Industrial properties • Geodesic Domes & Earth homes • Working Farm, Ranch or Orchard • Hobby Farms • Assisted Living or Bed and Breakfast Homes • Houseboats • Vacation Homes / Time Shares • Energy Efficient Properties
Property: Manufactured Home	<p>Manufactured Homes:</p> <ul style="list-style-type: none"> • Allowed on 20 & 30YR Fixed only • R/T Limited to 80%LTV and Cash Out limited to 65% LTV
Property Requirements	<p>General Property Requirements:</p> <ul style="list-style-type: none"> • Must be a residential property; not a farm, ranch or used for agricultural purposes. • Property must be borrower's homestead in state of Texas. • All separate structures must be included in the homestead exemption.

- Only the parcel designated as the homestead parcel may secure the loan.
 - The property may have to be surveyed out prior to the appraisal being ordered if, additional parcels owned or property exceeds acreage limits for TX homestead.
- The homestead parcel, as identified on the county appraisal district records, must include ingress/egress to a properly identified public road.

Urban Homestead as defined by Texas Law must adhere to the following if applicable:

- Maximum 10 acres
- The municipality provides police and fire protection (paid or volunteer) and 3 of the following services
 - Electric
 - Natural gas
 - Sewer
 - Storm sewer
 - Water

Rural Homestead must adhere to the following if applicable:

- Maximum 20 acres
- Property is considered rural if the municipality does not provide police and fire protection or any of the above services
- If the definition of a rural property cannot be met and there is an excess of 10 acres, all acreage exceeding 10 acres must be subdivided or the loan is ineligible.

Exclusion of Agricultural and Timber-Designated Tax Exempt Property:

- **Texas Urban or Rural Homestead loans closed under TX50(a)(6) must adhere to the following if applicable:**
 - If a portion of the homestead property is designated for agricultural or timber use under the Texas property tax statutes, whether an Urban Property or a Rural Property, no Texas Section 50(a)(6) home equity loan may be made unless the agricultural or timber- designated property is excluded from the mortgage/security instrument legal description, as verified by a survey.
 - If the property was previously designated with an agricultural exemption, the exemption must have been removed a minimum of 12 months prior to the application date.
 - Provided the property is not designated for agricultural use on the date of closing, there should be no lien validity or priority issue if the property is later designated for agricultural use.

<p>Secondary Financing</p>	<p>New Second Lien:</p> <ul style="list-style-type: none"> • Not permitted <p>Existing Second Lien:</p> <ul style="list-style-type: none"> • Existing non-50(a)(6) secondary financing (for example, an existing 50(a)(5) home improvement loan) is allowed if subordinated to the new 50(a)(6) mortgage. Note: a subordination agreement is always required • Max 80% CLTV • HELOC are not permitted
<p>Survey</p>	<p>A Survey is required on all Urban or Rural Homestead Properties</p> <p>New survey is not required if:</p> <ul style="list-style-type: none"> • A new survey/ILR/ILC <i>is not required</i> on a transaction if a previous copy is provided by title and the borrower signs a T-47 Residential Real Property Affidavit verifying the use of the existing survey. • ‘Survey Deletion Endorsement’ (also known as ‘area and boundaries coverage’) must be added, which will cover title defects due to: <ul style="list-style-type: none"> ○ Surveyor errors in locating boundary lines or improvements ○ Fences or other improvements not located on the boundary line ○ Improvements encroaching onto an easement or protrude over a building setback line ○ Improvements owned by an adjoining landowner that encroach onto the insured property <p>Survey Must:</p> <ul style="list-style-type: none"> • Provide a legal description of the property to be covered by the mortgage; and Exclude any rental use improvements or any other non-homestead use property. • Evidence the homestead property and any adjacent land are separate parcels. • Evidence the homestead parcel, as identified on the county appraisal district records (commonly one acre), include ingress/egress to a properly identified in the public road. <p>LTV is Limited to Homestead Parcel:</p> <ul style="list-style-type: none"> • The first mortgage lien may only be secured by the homestead parcel and the market value for LTV calculation can only be assessed on that parcel.
<p>Texas 50 (a)(6) Eligible Fees and Restrictions</p>	<p>Under Texas law, there is a 2% fee restriction on closing costs that can be charged to a borrower. Included in this calculation are all closing costs, paid directly or indirectly by the borrower:</p> <ul style="list-style-type: none"> • Fees must be reasonable and not paid to an employee of the Lender. • Lender credits to the borrower for the interest rate chosen may be applied towards the closing costs included in the 2% calculation. • Closing Costs paid with Lender Credit must be reflected in “Paid By-Others” column of the Closing Disclosure.

Texas 50 (a)(6) Eligible Fees and Restrictions CONTINUED	Eligible Fees	
	The sum of the following fees may NOT exceed 2% of the loan amount:	The sum of the following fees are NOT included in the 2% calculation:
	<ul style="list-style-type: none"> • Administrative Fee • Assignments Fee • Attorney Fees • Brokerage Fee • Certification that HOA Maintenance Fee is current • Closing Fee • Commitment Fee • Courier/Express Mail Fees • Credit Life (if required by Lender) • Credit Report • Deed Restrictions • Discount Points (non-bona-fide) • Document Preparation (by attorney only) • Endorsements to Title Insurance • Escrow Fee • Flood Certification • HOA Transfer Fees • Mortgage Insurance • Origination Fee • Pest Inspection • Processing Fee • Property Tax Certification • Property Tax Service Fee • Recording Fees • Underwriting Fee • Warehouse Fee 	<ul style="list-style-type: none"> • Appraisal Fee (only if 3rd party appraiser) • Survey Fees (only if TX licensed Surveyor) • Title premiums or examination charges <ul style="list-style-type: none"> ○ may not exceed state basic rate with applicable endorsements, otherwise included in cap. • Escrows for: <ul style="list-style-type: none"> ○ Hazard Insurance ○ Property Taxes ○ Flood/Wind/Storm Insurance • Post Default Attorney Fees • Late Charges • Prepaid Per diem interest • HOA Maintenance Fee • Escrow Waiver Fees • Closing costs paid with premium pricing • Discount points used to reduce the interest rate (bona-fide) • Lender paid compensation to the broker
	<ul style="list-style-type: none"> • Note: The 2% fee cap does not apply to Rate/Term TX 50 (a)(4) loans not classified as TX 50 (a)(6). 	

Title Insurance Requirements

The title insurance coverage and policy must adhere to the following requirements:

- Title insurance coverage must be the T-2 Mortgagee Policy of Title Insurance and include both of the following endorsements, which must also expressly show on the Closing Disclosure.
 - **T-42** Equity Loan Mortgage Endorsement including the optional coverage provided by Paragraph 2(f)
 - **T-42.1** Supplemental Coverage Equity Loan Mortgage Endorsement
- There may be no exceptions or deletions to the coverage provided by Paragraphs 2(a) through (e) (*other than an exception or deletion relating to the exclusion of agricultural homestead property*) of the T-42 endorsement.
- The endorsement must include the optional coverage provided by Paragraph 2(f), as well as the additional coverage provided by Endorsement T-42.1.
- Paragraph 1(a) of the Supplemental Coverage Equity Loan Mortgage Endorsement must be part of the coverage, which means that the loan must be closed at an office of the title company issuing the policy.
- If the prior T-2 was issued within the last 7 years, verify that the title company charges the lower reissue rate for the T-2.
- Underwriters may rely on the federal Notice of Right to Cancel form to meet this requirement. However, to be eligible for purchase, loans must comply with Section 50(a)(6)(Q)(viii) of the Texas Constitution and Chapter 153, Home Equity Lending, Section 153.25 of the Texas Home Equity Interpretive Authority.

The title insurance policy cannot include language that:

Excludes coverage for a title defect that arises because financed origination expenses are held not to be “reasonable costs necessary to refinance”, or

- defines the “reasonable costs necessary to refinance” requirement as a “consumer credit protection” law since the standard title policy excludes coverage when lien validity is questioned due to a failure to comply with consumer credit protection laws.

Survey Endorsement:

- **Survey Deletion Endorsement’ (also known as “area and boundaries coverage”)**, is required on final title policy if a new survey is not provided and the borrower has executed the T-47 Residential Real Property Affidavit verifying the use of the existing survey.

Specific to Rate/Term Refinances:

Special title insurance coverage must be obtained when impounds for prepaid expenses are included in the new Mortgage Loan amount.

- **The following must be included as a Schedule B Exception:**
 - “Possible defect in lien of the insured mortgage because of the insured’s inclusion of reserves or impounds for taxes and insurance in the original principal of the indebtedness secured by the insured mortgage.”