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MEMORANDUM

TO: Clients and Friends of the Firm
FROM: Aaron Polasek
DATE: March 19, 2018
SUBJECT: Constitutional Amendments to Texas Home Equity Laws

Texas Senate Joint Resolution 60, approved by Texas voters on a November 7, 2017 ballot, amends certain provisions of the Texas Constitution that prescribe requirements for the origination and closing of Texas home equity loans. The amendments are effective for and applicable to Texas home equity loans originated on or after January 1, 2018 and to existing home equity loans refinanced (as explained below) on or after that date. In response to the new amendments, the Texas Joint Financial Regulatory Agencies (the "Agencies") have adopted official commentary to, and interpretation of, some of these changes. The official commentary (the "Commentary") will become effective and part of the Texas Administrative Code on March 29, 2018 and will provide a "safe harbor" for lenders to rely upon when originating Texas home equity loans (references to section numbers below refer to the Texas Administrative Code, unless otherwise specified).

The amendments implement the following changes to Texas home equity loans (proposed Commentary has been included for some items, but is not intended to be an exhaustive recitation of all relevant items found within the Commentary; we recommend you read the entirety of the Commentary for a complete understanding, a copy of which is attached to this Memorandum as Exhibit "A" for your convenience):

- Confirms *bona fide* discount points used to buy down the interest rate are excluded from the fee limitation calculation;
- Reduces the fee limitation from 3% of the original principal amount of the loan to 2%, but exclude from the calculation fees for an appraisal performed by a third party appraiser, fees incurred for a property survey performed by a state registered or licensed surveyor, and fees incurred for a state base premium for a loan policy of title insurance with endorsements established in accordance with state law or fees incurred for a title examination report if that cost is less than the state base premium for a loan policy of title insurance without endorsements established in accordance with state law;

Commentary: Section 153.5, among other things, excludes from the 2% fee calculation only the actual fee paid to an appraiser, and not the fee paid to an appraisal management company and excludes not only the basic premium rate for title insurance but also authorized premiums for any endorsements applicable to the subject transaction;

- Removes the prohibition against securing a Texas home equity loan with property designated for agricultural use;
- Authorizes the following entities, if doing business under the laws of the state of Texas or the United States, to make Texas home equity loans: a subsidiary of a bank, savings and loan association, savings bank or credit union;
- Confirms a mortgage banker or mortgage company is an authorized lender, able to originate a Texas home equity loan;
- Amends the requirement of a Texas home equity loan Deed of Trust to identify the transaction as a home equity loan and to disclose that the extension of credit is the type of credit defined by Subsection (a)(6) of Section 50, an example of which appears as Exhibit “B”; and
- Permits an existing home equity loan that meets certain requirements to be refinanced in a rate/term refinance loan (doing away with the “once a home equity loan, always a home equity loan” requirement for loans meeting the Constitutionally-mandated criteria). To meet the criteria for this type of transaction, the following conditions must be met (the “Criteria”):
 - 1) The existing home equity loan is “seasoned” for one year; the rate/term refinance cannot be closed before the first anniversary of the date the extension of credit was closed. [The term “closed” is defined by the Texas Administrative Code as the date on which each owner and the spouse of each owner signs the equity loan documents; the operative date for calculating the one year seasoning requirement is the date of closing, not funding.];
 - 2) The rate/term refinance does not include the advance of any additional funds other than amount necessary pay-off the equity loan and, if applicable, other valid debt secured against the homestead property, and actual closing costs and reserves required by the lender to refinance the existing debt;
 - 3) The rate/term refinance principal loan amount, when added to the aggregate total of all other outstanding debt secured by valid encumbrances of record against the property does not exceed 80 percent of the fair market value of the homestead property on the date the rate/term refinance is made. [This requirement is similar to the 80% CLTV limitation imposed on the origination of a home equity loan, and compliance with the limitation *should* be documented by a similar Acknowledgment of Fair Market Value, but there is no legal requirement such a document be utilized or signed by either the owner/borrower or lender]; and
 - 4) The Lender provides the owner (“owner” includes a non-titled and/or non-borrowing spouse) the following written notice, on a separate document, not later than the third *business* day after the owner submits the loan application to the lender and at least 12 days (*calendar* days) before the date of the loan closing:

“YOUR EXISTING LOAN THAT YOU DESIRE TO REFINANCE IS A HOME EQUITY LOAN. YOU MAY HAVE THE OPTION TO REFINANCE YOUR HOME EQUITY LOAN AS EITHER A HOME EQUITY LOAN OR AS A NON-HOME EQUITY LOAN, IF OFFERED BY YOUR LENDER.

HOME EQUITY LOANS HAVE IMPORTANT CONSUMER PROTECTIONS. A LENDER MAY ONLY FORECLOSE A HOME EQUITY LOAN BASED ON A COURT ORDER. A HOME EQUITY LOAN MUST BE WITHOUT RECOURSE FOR PERSONAL LIABILITY AGAINST YOU AND YOUR SPOUSE.

IF YOU HAVE APPLIED TO REFINANCE YOUR EXISTING HOME EQUITY LOAN AS A NON-HOME EQUITY LOAN, YOU WILL LOSE CERTAIN CONSUMER PROTECTIONS. A NON-HOME EQUITY REFINANCED LOAN:

(1) WILL PERMIT THE LENDER TO FORECLOSE WITHOUT A COURT ORDER;

(2) WILL BE WITH RECOURSE FOR PERSONAL LIABILITY AGAINST YOU AND YOUR SPOUSE; AND

(3) MAY ALSO CONTAIN OTHER TERMS OR CONDITIONS THAT MAY NOT BE PERMITTED IN A TRADITIONAL HOME EQUITY LOAN.

BEFORE YOU REFINANCE YOUR EXISTING HOME EQUITY LOAN TO MAKE IT A NON-HOME EQUITY LOAN, YOU SHOULD MAKE SURE YOU UNDERSTAND THAT YOU ARE WAIVING IMPORTANT PROTECTIONS THAT HOME EQUITY LOANS PROVIDE UNDER THE LAW AND SHOULD CONSIDER CONSULTING WITH AN ATTORNEY OF YOUR CHOOSING REGARDING THESE PROTECTIONS.

YOU MAY WISH TO ASK YOUR LENDER TO REFINANCE YOUR LOAN AS A HOME EQUITY LOAN. HOWEVER, A HOME EQUITY LOAN MAY HAVE A HIGHER INTEREST RATE AND CLOSING COSTS THAN A NON-HOME EQUITY LOAN.”

Commentary: Section 153.45 permits mailing the disclosure within three business days and states that a period of three calendar days, not including Sundays and federal legal holidays, constitutes a rebuttable presumption of sufficient mailing and delivery; Proposed 153.45 does not prohibit other methods of delivering the disclosure, but it is incumbent upon a lender to ensure the disclosure is provided to the owner not later than the third business day after the date the owner submits the loan application. This Section of the commentary also clarifies that this “(f)(2)” 12-day disclosure must be provided within three business days from the time the borrower applies for an (f)(2) loan.

An affidavit executed by the owner or the owner’s spouse acknowledging the Criteria have been met conclusively establishes the requirements for a rate/term refinance loan have been met.

The Constitutional amendments require or, in some instances while not required we recommend, the following changes to existing documents, or following new documents be incorporated into our Client's Texas home equity loan packages:

- 1) An amended 12-Day Disclosure, for the origination of new Texas home equity loans, an English and Spanish copy of which is attached hereto as "Exhibit C";
- 2) A new 12-Day Disclosure for loan transactions originated and closed as a "qualified" home equity loan refinanced as a rate/term transaction (an "Equity loan rate/term refinance"), an English and Spanish copy of which is attached hereto as "Exhibit D";
- 3) An Affidavit to be signed by the owner and owner's spouse in connection with the closing of an Equity loan rate/term refinance, a suggested copy of which is attached hereto as "Exhibit E"; and
- 4) An Acknowledgement of Fair Market Value specific to an Equity loan rate/term refinance, a suggested copy of which is attached hereto as "Exhibit F." According to case law this document must be signed by the owner(s) and the lender on the date of loan closing.

The Constitutional amendment also increases the threshold at which a borrower can receive funds under a HELOC from 50% to 80%. Accordingly, a HELOC borrower could only receive funds under a line-of-credit if the amount requested was less than 80% (cumulative of all valid debt secured by the property) of the fair market value of the homestead property as established on the day of loan closing.

IMPORTANT INFORMATION REGARDING EFFECTIVE DATE OF NEW RULES

[Excerpt from statement issued by the State of Texas Joint Financial Regulatory Agencies on November 15, 2017]

SJR 60 applies to all home equity loans made on or after January 1, 2018, and to all home equity loans refinanced on or after January 1. Lenders are responsible for ensuring that they comply with SJR 60 starting January 1. In particular, lenders must comply with the new 2% fee limitation and updated 12-day disclosure requirement for all loans made on or after January 1.

Some lenders have asked what interpretive guidance they can use between January 1 and the effective date of the interpretation amendments (anticipated to be late March). During this period, if a lender complies with the proposed interpretation amendments and provides required disclosures, the agencies will not take action against the lender for violating SJR 60's requirements. However, because the proposed interpretation amendments will not be effective during this period, they will not provide lenders with a safe harbor from civil litigation.

Some stakeholders have asked whether lenders may make home equity loans during the first 12 days of January 2018. SJR 60 takes effect on January 1, 2018, and it states that the amended requirements apply to all home equity loans made on or after January 1, 2018. In opinion DM-452 (1997), the Texas attorney general concluded that if a lender provided the required 12-day notice for home equity loans 12 days before January 1, 1998, and closed the loan on January 1, then the loan would not be enforceable under the constitution, because the disclosure was not "prescribed by" the constitutional amendment that went into effect on January 1, 1998. If this same reasoning applies to SJR 60, this would require lenders to wait until January 1, 2018, to begin providing the updated disclosures under SJR 60, and to wait until January 13 at the earliest to begin originating loans.

This would be the safest course if lenders wish to avoid civil litigation where homeowners argue that loans originated during the first 12 days of January 2018 are unenforceable.

This article is provided for the general information of the clients and friends of BROWN, FOWLER & ALSUP only and is not intended as specific legal advice. You should not place reliance on this general information alone but should consult counsel regarding the application of the laws and regulations discussed in this article to your specific case or circumstances.

*Title 7. Banking and Securities
Part 8. Joint Financial Regulatory Agencies
Chapter 153. Home Equity Lending*

The Finance Commission of Texas and the Texas Credit Union Commission ("commissions") adopt amendments to the following home equity lending interpretations: §§153.1, 153.5, 153.14, 153.17, 153.84, and 153.86; adopt new §153.45; and adopt the repeal of §153.87, in 7 TAC, Chapter 153, concerning Home Equity Lending.

The commissions adopt the amendments to §§153.1, 153.5, 153.14, 153.17, 153.84, and 153.86; and adopt the repeal of §153.87 without changes to the proposed text as published in the November 24, 2017 issue of the *Texas Register* (42 TexReg 6580).

The commissions adopt new §153.45 with changes to the proposed text as published in the November 24, 2017 issue of the *Texas Register* (42 TexReg 6580). The changes are a result of official comments that the commissions received.

The commissions received nine written comments on the proposal from the following parties: AmeriHome Mortgage Company, LLC; BairdLaw, PLLC; Black, Mann & Graham L.L.P.; Independent Bankers Association of Texas; Randolph-Brooks Federal Credit Union; Texas Bankers Association; Texas Mortgage Bankers Association; and two individuals.

One comment expresses general support for the amendments as proposed. Eight comments include recommendations relating to new §153.45 and the refinance of a home equity loan to a non-home-equity loan. These recommendations relate primarily to

three issues: (1) the limitation on funds advanced and the exclusion for actual costs, (2) the date of the loan application for purposes of the requirement to provide a disclosure within three days of the application, and (3) the date on which a mailed disclosure is considered to be provided to the owner for purposes of the three-day requirement.

Some of the comments also include questions and recommendations on the following issues that were not addressed in the proposal: (1) the timing of disclosures for loans closed during the first 12 days of January 2018, (2) the law applicable to home equity lines of credit closed before January 1, 2018, and (3) the effect of SJR 60 on the property tax designation for agricultural property.

The commissions' responses to the official comments on new §153.45 are included in the purpose discussion for that section. The comments on the other three issues are discussed after the purpose discussions for the amendments that are part of this action.

The adoption applies the administrative interpretation of the home equity lending provisions of Article XVI, Section 50 of the Texas Constitution ("Section 50") allowed by Section 50(u) and Texas Finance Code, §11.308 and §15.413.

The main purpose of the adoption is to implement SJR 60, passed by the Texas Legislature in 2017. SJR 60 amends Section 50 and applies to home equity loans entered on or after January 1, 2018.

SJR 60's constitutional amendments relate primarily to six issues. First, SJR 60 amends Section 50(a)(6)(E) by replacing the current three percent fee limitation with a two percent limitation, and specifying that four types of fees are not included in the limitation: an appraisal fee, a property survey fee, a mortgagee title insurance premium, and a title report fee. Second, SJR 60 amends Section 50(a)(6)(I) by removing the current prohibition on a home equity loan for agricultural property. Third, SJR 60 amends Section 50(a)(6)(P) by adding certain subsidiaries of depository institutions to the list of lenders authorized to make home equity loans, and replacing a reference to a "mortgage broker" with "mortgage banker or mortgage company." Fourth, SJR 60 amends Section 50(f) by allowing a home equity loan to be refinanced as a non-home-equity loan if four conditions are met: a one-year timing limitation, a limitation on advance of additional funds, an 80% loan-to-value limitation, and a required disclosure to the property owner. Fifth, SJR 60 amends Section 50(g) to make conforming changes to the required 12-day consumer disclosure. Sixth, SJR 60 amends Section 50(t)(6) by removing the 50% limitation on additional debits or advances for a home equity line of credit.

After the legislature passed SJR 60, the Texas Department of Banking, the Texas Department of Savings and Mortgage Lending, the Office of Consumer Credit Commissioner, and the Texas Credit Union Department ("agencies") circulated an initial precomment draft of proposed changes to interested stakeholders. The agencies then held a stakeholder meeting where attendees provided oral precomments. In addition, the agencies received four informal written precomments from stakeholders. Certain concepts recommended by the

precommenters were incorporated into the proposal, and the agencies appreciate the thoughtful input provided by stakeholders.

The individual purposes of the amendments, new section, and repeal are provided in the following paragraphs.

The adopted amendments to §§153.1, 153.5, and 153.14 implement SJR 60's amendments to Section 50(a)(6)(E). As discussed previously, SJR 60 amends Section 50(a)(6)(E) by replacing the current three percent fee limitation with a two percent limitation, and specifying that certain types of fees are not included in the limitation.

An amendment to §153.1(15) replaces the phrase "three percent limitation" with "two percent limitation."

In §153.5, amendments to the introductory paragraph reflect SJR 60's amendments to Section 50(a)(6)(E). Throughout §153.5, amendments replace the phrase "three percent limitation" with "two percent limitation." Amendments to paragraph (3)(B) in §153.5 replace the phrase "legitimate discount points" with "bona fide discount points," reflecting SJR 60's exclusion of bona fide discount points from the two percent limitation. In paragraph (7), regarding third-party charges, an amendment moves a sentence providing an example of a third-party charge in order to provide better clarity. The amendment also removes the phrase "mortgage brokers' fees" from paragraph (7), reflecting SJR 60's removal of the phrase "mortgage broker" from Section 50. This amendment also responds to precomments stating that the phrase "mortgage brokers' fees" is no longer necessary. Amendments to paragraph (8), regarding charges to evaluate, conform to

SJR 60's amendments on fees for appraisals, surveys, and title reports.

Adopted new paragraphs (13)-(16) in §153.5 identify the four types of fees that may be excluded from the two percent limitation under SJR 60's amendments to Section 50(a)(6)(E): an appraisal fee, a property survey fee, a mortgagee title insurance premium, and a title report fee.

Adopted §153.5(13) states that an appraisal must be performed by a person who is not an employee of the lender, and that the excludable appraisal fee is limited to the fee paid to the appraiser for completion of the appraisal, not the fee for appraisal management services. This paragraph is based on Section 50(a)(6)(E)(i) of SJR 60, which states that the two percent limitation excludes a fee for "an appraisal performed by a third party appraiser." Under Texas Occupations Code, §1104.158(a), an appraisal management company must "separately state the fees: (1) paid to an appraiser for the completion of an appraisal; and (2) charged by the company for appraisal management services" in reporting to a client. Adopted paragraph (13) specifies that only the first of these two fees, the fee paid to the appraiser for the completion of the appraisal, may be excluded from the two percent limitation. At the stakeholder meeting, one attendee asked whether a fee for an evaluation that is not an appraisal may be excluded. This fee would be subject to the two percent limitation under adopted §153.5(8), which provides that charges to evaluate are generally subject to the two percent limitation, and would not be excludable under adopted §153.5(13), which provides an exception to this general requirement for certain appraisal fees.

Adopted §153.5(14) states that a fee for a property survey performed by a state registered or licensed surveyor is not a fee subject to the two percent limitation, and that the property survey must be performed by a person who is licensed or registered under Texas Occupations Code, Chapter 1071. This paragraph is based on Section 50(a)(6)(E)(ii) of SJR 60, which states that the two percent limitation excludes a fee for "a property survey performed by a state registered or licensed surveyor."

Adopted §153.5(15) states that an excludable premium for title insurance is limited to the applicable basic premium rate for title insurance published by the Texas Department of Insurance (TDI), plus authorized premiums for applicable endorsements, and that rules adopted by TDI govern the applicability of endorsements and the authorized amount for each premium. This paragraph is based on Section 50(a)(6)(E)(iii) of SJR 60, which states that the two percent limitation excludes a fee for "a state base premium for a mortgagee policy of title insurance with endorsements established in accordance with state law."

One precommenter recommends removing the applicability requirement in §153.5(15)(C), which states that any endorsements must be applicable to the mortgagee policy for the equity loan. TDI has identified various endorsements that may be used to modify a title insurance policy, and has established premiums for each type of endorsement. The endorsements are described in TDI's Title Insurance Basic Manual. The authorized endorsements include Form T-42 (insuring against loss due to failure to comply with Section 50's requirements for home equity loans), as well as endorsements relating to

minerals, condominiums, balloon mortgages, and other issues. The applicability requirement in adopted §153.5(15)(C) is intended to capture the concept that a lender should not charge the property owner a premium for an endorsement that does not apply to the transaction. For example, if the property is not a manufactured home, then the property owner should not be required to pay a premium for a manufactured housing endorsement, Form T-31. Similarly, if the loan is not a home equity line of credit, then the property owner should not be required to pay a premium for a future advance or revolving credit endorsement, Form T-35. As stated in paragraph (15), TDI's rules govern the applicability of endorsements.

At the stakeholder meeting, one attendee explained that some lenders might make amendments to title insurance policies, and that these "amendments" are not necessarily endorsements for which TDI's rules authorize a premium. The commissions believe that adopted §153.5(15) appropriately defers to TDI's rules regarding the applicability of endorsements and authorized amount of the premium. TDI's rules, not the labels used by the parties, will determine whether the endorsement is authorized.

Adopted §153.5(16) states that an excludable fee for a title report must be less than the applicable basic premium rate for title insurance, and that the title report fee may not be excluded if the equity loan is covered by a mortgagee policy of title insurance. This paragraph is based on Section 50(a)(6)(E)(iv) of SJR 60, which states that the two percent limitation excludes a fee for "a title examination report if its cost is less than the state base premium for a mortgagee policy of title insurance

without endorsements established in accordance with state law." The agencies understand that this fee is intended to be excluded in transactions where the lender obtains a title report instead of a mortgagee policy of title insurance. In addition, adopted §153.5(16)(C) explains that the fee must comply with applicable law, including Texas Finance Code, §342.308(a)(1), which limits title examination fees for certain secondary mortgages.

One precommenter makes the following recommendation regarding paragraph (16): "Rather than require that such report fee be less than the state base premium without endorsements, it would be more appropriate to provide that it cannot exceed the state base premium for a mortgagee policy with endorsements." The commissions disagree with this recommendation. Section 50(a)(6)(E)(iv) of SJR 60 states that the two percent limitation excludes a fee for "a title examination report if its cost is less than the state base premium for a mortgagee policy of title insurance without endorsements established in accordance with state law." The plain language of this provision requires the title report fee to be less than the state base premium for title insurance without endorsements.

In the initial precomment draft sent to stakeholders, paragraphs (13), (14), (15), and (16) each included a statement that the relevant fee "must comply with applicable law." This phrase was based on existing interpretations in current §153.5, which state that certain fees may be charged "to the extent authorized by applicable law" or that the lender "must comply with applicable law." Two precommenters recommended removing or amending this phrase, arguing that it is unnecessary or could create confusion. At the stakeholder meeting, one

attendee recommended removing the phrase "must comply with applicable law" in paragraphs (14) and (15), while acknowledging that it is appropriate to state that a surveyor must be licensed under the Texas Occupations Code. The attendee recommended a provision-by-provision approach to using the phrase. In response to these precomments, adopted §153.5 does not include the phrase "must comply with applicable law" in paragraphs (13), (14), and (15), which relate to services performed by third parties, but includes the phrase in paragraph (16) regarding the title report, where the commissions believe that the phrase is appropriate.

An adopted amendment to §153.14(2)(D) replaces the phrase "3% fee cap" with "two percent limitation."

In §153.17, regarding lenders that are authorized to make home equity loans, adopted amendments to the introductory paragraph reflect SJR 60's amendments to Section 50(a)(6)(P). Adopted amendments to §153.17(3) remove a reference to a "mortgage broker" and specify that a person licensed under Texas Finance Code, Chapter 157 is a person regulated as a mortgage banker for purposes of Section 50(a)(6)(P)(vi).

Adopted new §153.45 describes the permissible ways in which a home equity loan can be refinanced, in accordance with Section 50(f) as amended by SJR 60. Paragraphs (1)-(4) of the new section describe the four conditions that must be met to refinance a home equity loan as a non-home-equity loan under Section 50(f)(2) of SJR 60.

Adopted §153.45(1) explains that the refinance may not be closed before the first

anniversary of the closing date of the home equity loan, and that the closing date of the refinance is the date on which the owner signs the loan agreement for the refinance. This paragraph is based on Section 50(f)(2)(A) of SJR 60, which provides the following condition that must be met to refinance a home equity loan as a non-home-equity loan: "the refinance is not closed before the first anniversary of the date the extension of credit was closed." The statement regarding the closing date of the refinance is based on the definition of "closing" in current §153.1(3). One commenter agrees with this provision and expresses support for the statement in §153.45(1) that the closing date is the date on which the owner signs the loan agreement.

Adopted §153.45(2) describes the limitation on the advance of additional funds for the refinance. This paragraph is based on Section 50(f)(2)(B) of SJR 60, which provides the following condition that must be met to refinance a home equity loan as a non-home-equity loan: "the refinanced extension of credit does not include the advance of any additional funds other than: (i) funds advanced to refinance a debt described by Subsections (a)(1) through (a)(7) of this section; or (ii) actual costs and reserves required by the lender to refinance the debt." Adopted §153.45(2)(A) explains that actual costs must be identifiable, must be actually required by the lender, and must comply with any applicable limitations on costs. Adopted §153.45(2)(B) explains that reserves (e.g., an escrow account for taxes and insurance) must be actually required by the lender to refinance the debt, and must comply with applicable law. The commissions believe that the statement that the reserves "must comply with applicable law" is appropriate in this provision to

ensure that the lender complies with any laws governing reserve accounts, such as the escrow requirements in Regulation X, 12 C.F.R. §1024.17, and Regulation Z, 12 C.F.R. §1026.35(b).

One commenter suggests that the phrase "refinanced extension of credit" in proposed §153.45(2) is a typographical error, and that this phrase should be replaced with "refinance of the extension of credit" in order to clarify that this provision refers to the refinance of the home equity loan, rather than the home equity loan being refinanced. In response to this comment, the phrase "refinanced extension of credit" has been replaced with "refinance" in this adoption. This makes it clear that §153.45(2) refers to requirements for the refinance, not requirements for the home equity loan that is being refinanced.

Four commenters specifically address the limitation on the advance of additional funds and the exclusion for actual costs. These comments are addressed in the following paragraphs.

One commenter expresses concern about how the interpretation in §153.45(2) applies to costs that the borrower pays at or before closing. The commenter states: "A lender does not ordinarily 'incur' the cost of the title premium, survey, appraisal, attorney fees, or other charges connected to a home loan. The lender does require the borrower to pay these charges at or before closing. . . . The proposed interpretation creates unnecessary ambiguity as to whether an origination charge required by and paid to the lender is a cost 'actually incurred by the lender.'"

Since the proposal, in response to this comment, changes have been made to

§153.45(2), to add the phrase "In order to be included in the funds advanced for the refinance" at the beginning of subparagraphs (A) and (B), and to add new subparagraph (C) explaining that amounts that the owner pays before or at closing are not advanced by the lender, and are not subject to the limitation on the advance of additional funds. These changes clarify that the types of costs identified by the commenter, which are paid at or before closing, are not subject to the limitation on funds advanced.

Three commenters expressed additional concerns about the phrase "actually incurred" in proposed §153.45(2)(A). Two of these commenters recommend removing the statement in proposed §153.45(2)(A) that costs must be "actually incurred by the lender." These two commenters state that the phrase "actual costs" in Section 50(f)(2)(B)(ii) refers to costs required by the lender to refinance the debt, and recommend replacing "incurred" with "required" in §153.45(2)(A). Another commenter recommends removing the word "actually" before "incurred" and amending §153.45(2)(A) to state that actual costs "must be incurred by the lender, directly or indirectly, whether paid to lender or third party in conjunction with refinance transaction."

Since the proposal, in response to these comments, a change has been made to §153.45(2)(A), to replace "must be actually incurred by the lender" with "must be actually required by the lender to refinance the debt." The commissions believe that this requirement, combined with the requirements that costs must be identifiable and must comply with any applicable cost limitations, appropriately reflects the lender's ability to advance "actual costs . . .

required by the lender to refinance the debt" under Section 50(f)(2)(B)(ii).

Adopted §153.45(3) describes the 80% loan-to-value limitation for the refinance. This paragraph is based on Section 50(f)(2)(C) of SJR 60, which provides the following condition that must be met to refinance a home equity loan as a non-home-equity loan: "the refinance of the extension of credit is of a principal amount that when added to the aggregate total of the outstanding principal balances of all other indebtedness secured by valid encumbrances of record against the homestead does not exceed 80 percent of the fair market value of the homestead on the date the refinance of the extension of credit is made." Subparagraphs (A), (B), and (C) in proposed §153.45(3) describe the method of calculating the principal amount of the refinance and the principal balance of other outstanding debt. These subparagraphs are based on current §153.3, which describes the 80% loan-to-value limitation for home equity loans.

One commenter asks whether an estimated value may be used for the fair market value of the property in transactions where the lender has submitted an estimated value and exercised an appraisal waiver through a government-sponsored enterprise (GSE). The commenter states: "One of the key questions that has arisen as we work to implement SJR 60 is that of (f)(2) loans and the applicability of GSE appraisal waivers, specifically Fannie Mae Property Inspection Waivers and Freddie Mac Automated Collateral Evaluation. As you may know, the eligibility for such a waiver is determined by Fannie Mae's Desktop Underwriter or Freddie Mac's Loan Product Advisor. If the waiver is exercised by the lender, the GSEs accept the estimated value

submitted by the lender. The GSEs expressly prohibit a lender from exercising such a waiver if the lender has obtained an appraisal. . . . So the question is, can a lender exercise a GSE appraisal waiver and still meet the 80% of fair market value requirement?" Unlike Section 50(h), which applies to home equity loans, Section 50(f)(2) does not identify the specific types of appraisals or value estimates that lenders may rely on to establish the fair market value of the property. For this reason, the commissions decline to adopt an interpretation on this issue at this time. The agencies intend to monitor this issue to determine whether an interpretation is appropriate.

One precommenter recommends adding the following subparagraph (D) in §153.45(3): "On a closed-end multiple advance refinance, the principal balance also includes contractually obligated future advances not yet disbursed." The commissions disagree with this recommendation. Section 50(f)(2)(B) of SJR 60 limits the advance of funds to the amount refinanced, actual costs, and required reserves. It does not appear that the legislature intended for the Section 50(f)(2) refinance to include multiple future advances.

One commenter requests "greater clarity regarding the advancement of additional funds. Specifically, if a borrower has an existing HELOC which closed over one year ago, is there a seasoning requirement for advanced funds? For example, assuming an applicant has an existing \$100,000 HELOC that closed over one year ago with a current balance of \$80,000, would the applicant be able to draw an additional \$20,000 prior to closing and refinance a \$100,000? Or would the applicant only be permitted to refinance

the \$80,000 balance? Additionally, if there is a limit on seasoning of funds, would the lender be required to obtain statements regarding HELOC activity for the prior 12 months to determine compliance with the rule?" This comment is unclear. Specifically, it is unclear whether the commenter is asking about the one-year requirement in Section 50(f)(2)(A), the limitation on advance of funds in Section 50(f)(2)(B), or the 80% loan-to-value limitation in Section 50(f)(2)(C), and it appears that the commenter has not provided sufficient information to determine whether the lender has complied with these three requirements in the hypothetical situation. Current §153.85(b) specifies that the time the extension of credit is established for a home equity line of credit refers to the date of closing, so clarification on this issue is unnecessary. In addition, Section 50(f)(2)(C) clearly states that the fair market value for the 80% loan-to-value limitation is the value on the date the refinance is made, so clarification on this issue is unnecessary. For these reasons, the commissions decline to address this comment.

Adopted §153.45(4) describes the requirement to provide a disclosure to the owner in connection with the refinance. This paragraph is based on Section 50(f)(2)(D) of SJR 60, which provides the following condition that must be met to refinance a home equity loan as a non-home-equity loan: "the lender provides the owner the following written notice on a separate document not later than the third business day after the date the owner submits the loan application to the lender and at least 12 days before the date the refinance of the extension of credit is closed" Section 50(f)(2)(D) then includes the text of the required refinance disclosure, which provides important information about the

consumer protections that a borrower loses by agreeing to refinance a home equity loan into a non-home-equity loan.

Adopted §153.45(4)(A) explains that submission of a loan application to an agent of the lender is submission to the lender, and that a loan application may be given orally or electronically. This provision is based on the current interpretation at §153.12 relating to the closing date for home equity loans.

Five commenters recommend specifying that the date on which the loan application is submitted for purposes of the three-day period in Section 50(f)(2)(D). These commenters explain that a lender might not know, at the time of application, whether the applicant is applying specifically for a refinance of a home equity loan to a non-home-equity loan under Section 50(f)(2). According to the commenters, this means that the lender might not know whether it is required to provide the refinance disclosure within three business days of the application. One of the five commenters states that in the absence of additional clarification in the interpretations, lenders will either "provide the refinance disclosure to every owner applying for the refinance of an existing home mortgage," or will "have the initial application withdrawn or denied when it is discovered that the existing loan is an (a)(6) loan, and require the consumer to submit a new application."

Since the proposal, in response to these comments, subparagraph (B) has been added to §153.45(4) to specify the date on which the loan application is submitted for purposes of the three-day period in Section 50(f)(2)(D). As adopted, §153.45(4)(B) explains that the application is submitted on the date the owner submits a loan application specifically for a refinance of a

home equity loan to a non-home-equity loan. If the owner initially applies for another type of loan, then the application is considered submitted on the earliest of: (1) the date the owner modifies the application to specify that it is for a refinance of a home equity loan to a non-home-equity loan, or (2) the date the owner submits a new application specifically for a refinance of a home equity loan to a non-home-equity loan.

Adopted §153.45(4)(D) describes the time period for providing the refinance disclosure to comply with the three-day and 12-day periods in Section 50(f)(2)(D). Adopted §153.45(4)(D) states that if a lender mails the refinance disclosure to the owner, the lender must allow a reasonable period of time for delivery, and that a period of three calendar days, not including Sundays and federal legal public holidays, constitutes a rebuttable presumption for sufficient mailing and delivery. This subparagraph is similar to current §153.51(1), which provides a rebuttable presumption for the 12-day consumer disclosure under Section 50(g).

Four commenters recommend including a statement that the refinance disclosure must be delivered or placed in the mail no later than the third business day after the application. The four commenters explain that it would be difficult or costly for lenders to mail the refinance disclosure on the same day the application is submitted, or to restart the application process in order to meet the three-day deadline. Three of commenters support this recommendation by comparison to federal Regulation Z's requirement to provide a loan estimate within three days of the application. For mortgage loans, Regulation Z requires a creditor to "provide" the consumer with a loan estimate

disclosure, and states that the creditor "shall deliver or place in the mail [the loan estimate] . . . not later than the third business day after the creditor receives the consumer's application." 12 C.F.R. §1026.19(e)(1)(i), (iii). One commenter cites a similar requirement for appraisals in Regulation B, which states that the creditor "shall mail or deliver [notice of right to receive appraisals] to an applicant, not later than the third business day after the creditor receives an application for credit that is to be secured by a first lien on a dwelling." 12 C.F.R. §1002.14(a)(1). Another commenter cites Rule 21a of the Texas Rules of Civil Procedure. Under Rule 21a, service by mail "is complete upon deposit of the document, postpaid and properly addressed, in the mail or with a commercial delivery service." Tex. R. Civ. P. 21a(b)(1). If a party receives notice by mail, three days are generally added to any deadlines that apply to the recipient. Tex. R. Civ. P. 21a(c). A party may offer proof that the document was not received within three days from the date it was placed in the mail, in which case a court may extend an applicable deadline. Tex. R. Civ. P. 21a(e).

Since the proposal, in response to these comments, two sentences have been added to §153.45(4)(D), to specify that the lender must deliver the disclosure or place it in the mail no later than the third business day after the owner submits the loan application, and that the disclosure must be delivered to the owner at least 12 days before the refinance is closed. The three-day deadline under adopted §153.45(4)(D) is consistent with the similar deadlines for the loan estimate and appraisal notice under federal law, as discussed above. Certain lenders will be able to mail the refinance disclosure at the same time as the federal disclosures, helping to minimize costs. Adopted

§153.45(4)(D) is also consistent with Rule 21a of the Texas Rules of Civil Procedure, which considers service to occur when a document is placed in the mail. At the same time, by specifying that the disclosure must be delivered at least 12 days before the refinance is closed, adopted §153.45(4)(D) helps ensure that the owner has a full 12 days to consider the important information in the refinance disclosure before closing the refinance. Adopted §153.45(4)(D) helps ensure that the borrower receives the important information in the refinance disclosure promptly after filing a loan application, and that the borrower has a full 12 days to consider this information before closing the refinance. In addition, the owner's ability to rebut the three-day presumption of delivery is consistent with Rule 21a and with the similar rebuttable presumption for home equity loans in current §153.51(1), which was upheld by the Texas Supreme Court in *Finance Commission of Texas v. Norwood*, 418 S.W.3d 566, 589 (Tex. 2013).

In response to a precomment, adopted §153.45(4)(E) provides that one copy of the refinance disclosure may be provided to married owners. Adopted §153.45(4)(F) explains that the refinance disclosure is only a summary of substantive rights governed by the constitution. Adopted §153.45(4)(G) explains that a lender may rely on an established system of verifiable procedures to evidence compliance with paragraph (4).

Adopted §153.45(4)(H) explains that the Finance Commission will publish a Spanish translation of the refinance disclosure on its website, and that a lender whose discussions with the owner are conducted primarily in Spanish may provide the Finance Commission's Spanish translation to the owner. These provisions

are based on interpretations for the 12-day consumer disclosure in current §153.12 and §153.51. The agencies circulated an initial draft Spanish translation of the refinance disclosure to stakeholders, and have posted a final version of the Spanish disclosure on the Finance Commission's website.

Two commenters recommend including a statement that the Spanish disclosure is optional. These two commenters note that Section 50(f)(2) does not include a requirement to provide the Spanish disclosure, as opposed to Section 50(g), which requires the consumer disclosure for home equity loans to be provided to the borrower in the language in which discussions were conducted. Since the proposal, in response to these comments, a statement has been added to §153.45(4)(H) to clarify that the Spanish translation is not required by Section 50(f)(2).

One commenter recommends amending §153.45 to add a cure for failure to comply with Section 50(f)(2). The commenter proposes several methods of curing violations of the conditions in Section 50(f)(2) based on the methods for curing home equity loan violations in Section 50(a)(6)(Q)(x), including payment to the owner of any amount exceeding the limitation on funds advanced, sending an acknowledgement that the lien is valid only in the amount that does not exceed the 80% loan-to-value limitation, sending written notice modifying terms, and a \$1,000 refund with a right to refinance. The commenter proposes that if the lender timely corrects the violation, then the violation does not invalidate the lien. The commissions decline to add the commenter's recommended language. Unlike Section 50(a)(6), Section 50(f)(2) does not include any provisions authorizing a cure of a violation. It is outside

the intended scope of the interpretations to add a cure method that is not described in the constitution.

One precommenter suggests specifying that a home equity line of credit may be refinanced as a non-home-equity loan under Section 50(f)(2). The commissions believe that this addition is unnecessary. Home equity lines of credit are a type of home equity loan under Section 50, and are subject to the same requirements as other home equity loans unless the constitution specifies otherwise. Adding the precommenter's suggested language could raise other questions about whether home equity lines of credit are subject to general requirements for home equity loans.

In addition to the amendments discussed previously, SJR 60 adds Section 50(f-1), stating: "An affidavit executed by the owner or the owner's spouse acknowledging that the requirements of Subsection (f)(2) of this section have been met conclusively establishes that the requirements of Subsection (a)(4) of this section have been met." When the agencies circulated the initial precomment draft of the amendments, the agencies asked whether an interpretation is needed regarding the content of the affidavit and the manner of its execution. The agencies received mixed responses on this issue. One precommenter recommends an interpretation on what would satisfy the affidavit provision. Another precommenter states that the commissions should not adopt an interpretation on this issue "because an affidavit is defined by §312.011(1), Chapter 312, Government Code, and the manner of its execution is subject to subsection 50(a)(6)(N)." This same precommenter recommends "that the Commissions propose an Interpretation to address the cure of a

defective (f)(2) refinance pursuant to their authority under Subsection (u) to interpret Subsections (a)(6) and (f)," but the precommenter does not identify the constitutional basis for the cure or what the cure should entail. At the stakeholder meeting, one attendee stated that the commissions did not necessarily need to promulgate the affidavit, but the attendee believed it would be helpful to have a title for the affidavit. The agencies intend to monitor this issue to determine whether an interpretation is appropriate.

The adopted amendments to §153.84 and §153.86, together with the repeal of §153.87, implement SJR 60's amendments to Section 50(t)(6). As discussed previously, SJR 60 amends Section 50(t)(6) by removing the 50% limitation on additional debits or advances for a home equity line of credit. Adopted amendments to §153.84 and §153.86 remove references to the 50% limitation in Section 50(t)(6) while maintaining references to the overall 80% loan-to-value limitation in Sections 50(a)(6)(B) and 50(t)(5), which SJR 60 did not amend. Section 153.87 is being repealed because it relates solely to the 50% limitation that SJR 60 removes.

One commenter recommends an interpretation for loans originated during January 2018, stating that "both new disclosures [under Section 50(a)(6) and (f)(2)] are effective with loans originated on and after January 1, 2018. [Section 50(a)(6)] loans originated (ie application taken) prior to January 1, 2018 may be closed using the existing [Section 50(a)(6)] disclosure no matter that they close after January 1, 2018." The commissions decline to address loans originated during January 2018 as part of this adoption, because January 2018 has already passed, and this adoption will not be

effective until March 2018 at the earliest. The agencies addressed this issue in a joint statement on the passage of SJR 60, explaining that the safest course for lenders would be to wait until January 1, 2018 to begin providing updated disclosures under SJR 60, and to wait until January 13 at the earliest to begin originating loans. This statement is based on opinion DM-452 (1997), in which the Texas attorney general concluded that if a lender provided the required 12-day notice for home equity loans 12 days before January 1, 1998, and closed the loan on January 1, then the loan would not be enforceable under the constitution, because the disclosure was not "prescribed by" the constitutional amendment that went into effect on January 1, 1998. Because this issue was addressed in the agencies' joint statement, and because January 2018 has already passed, the commissions decline to address the issue in this adoption.

One commenter asks the following question: "Are existing HELOC's closed prior to 1/1/2018 required to be governed under the 50% LTV rule?" Subsection (c) of SJR 60's temporary provision explains that SJR 60's changes apply to a home equity loan made on or after January 1, 2018. This means that previous law applies to home equity loans made before January 1, 2018. In particular, the 50% limitation on additional advances in previous Section 50(t)(6) applies to home equity lines of credit made before January 1, 2018. The commissions believe that this issue is clearly addressed in SJR 60's temporary provision, and decline to adopt an interpretation on this issue.

One precommenter recommends that the commissions issue an interpretation of SJR 60's temporary provision, specifying

that the changes made by SJR 60 continue after January 1, 2019. The commissions believe that this interpretation is unnecessary. The legislature clearly intended for the amendments in SJR 60 to continue in effect beyond December 31, 2018, and would have made a clearer statement if it intended for all of the amendments in SJR 60 to expire on December 31, 2018.

One commenter requests guidance on how the property tax designation for agricultural property should be interpreted after SJR 60. Before SJR 60, Section 50(a)(6)(I) generally prohibited a home equity loan on property designated for agricultural use, unless the property was used primarily for the production of milk. SJR 60 removes this prohibition. Currently, the Texas Tax Code contains an exception to the general property tax designation for agricultural property, stating: "On or after January 1, 2008, an individual is not entitled to have land designated for agricultural use if the land secures a home equity loan described by Section 50(a)(6), Article XVI, Texas Constitution." Tex. Tax Code §23.42(a-1). The commissions decline to adopt an interpretation on this issue. The commenter's question is outside the intended scope of the home equity interpretations, because it is an issue of interpreting the Texas Tax Code, not the constitution. The applicability of property tax designations is determined by the Texas Legislature and the Texas Comptroller of Public Accounts, which has rulemaking authority regarding those exemptions, and is not determined by the commissions. However, the commissions recognize that this is an important issue and encourage lenders to contact the comptroller or local taxing authorities if they have any questions about

the applicability of property tax designations.

The amendments, new section, and repeal are adopted under Article XVI, Section 50(u) of the Texas Constitution and Texas Finance Code, §11.308 and §15.413, which authorize the commissions to adopt interpretations of Article XVI, Section 50(a)(5)-(7), (e)-(p), (t), and (u) of the Texas Constitution.

The constitutional provisions affected by the adoption are contained in Article XVI, Section 50 of the Texas Constitution.

§153.1. Definitions.

Any reference to Section 50 in this interpretation refers to Article XVI, Texas Constitution, unless otherwise noted. These words and terms have the following meanings when used in this chapter, unless the context indicates otherwise:

(1) - (14) (No change.)

(15) Two [~~Three~~] percent limitation--the limitation on fees in Section 50(a)(6)(E).

§153.5. Two [~~Three~~] percent fee limitation: Section 50(a)(6)(E).

An equity loan must not require the owner or the owner's spouse to pay, in addition to any interest or any bona fide discount points used to buy down the interest rate, any fees to any person that are necessary to originate, evaluate, maintain, record, insure, or service the extension of credit that exceed, in the aggregate, two [~~three~~] percent of the original principal amount of the extension of credit, excluding fees for an appraisal performed by a third party appraiser, a property survey performed

by a state registered or licensed surveyor, a state base premium for a mortgagee policy of title insurance with endorsements established in accordance with state law, or a title examination report if its cost is less than the state base premium for a mortgagee policy of title insurance without endorsements established in accordance with state law.

(1) Optional Charges. Charges paid by an owner or an owner's spouse at their sole discretion are not fees subject to the two [~~three~~] percent [~~fee~~] limitation. Charges that are not imposed or required by the lender, but that are optional, are not fees subject to the two [~~three~~] percent limitation. The use of the word "require" in Section 50(a)(6)(E) means that optional charges are not fees subject to the two [~~three~~] percent limitation.

(2) Optional Insurance. Insurance coverage premiums paid by an owner or an owner's spouse that are at their sole discretion are not fees subject to the two [~~three~~] percent limitation. Examples of these charges may include credit life and credit accident and health insurance that are voluntarily purchased by the owner or the owner's spouse.

(3) Charges that are Interest. Charges an owner or an owner's spouse is required to pay that constitute interest under §153.1(11) of this title (relating to Definitions) are not fees subject to the two [~~three~~] percent limitation.

(A) Per diem interest is interest and is not subject to the two [~~three~~] percent limitation.

(B) Bona fide [~~Legitimate~~] discount points are interest and are not subject to the two [~~three~~] percent limitation.

Discount points are bona fide [~~legitimate~~] if the discount points truly correspond to a reduced interest rate and are not necessary to originate, evaluate, maintain, record, insure, or service the equity loan. A lender may rely on an established system of verifiable procedures to evidence that the discount points it offers are bona fide [~~legitimate~~]. This system may include documentation of options that the owner is offered in the course of negotiation, including a contract rate without discount points and a lower contract rate based on discount points.

(4) Charges that are not Interest. Charges an owner or an owner's spouse is required to pay that are not interest under §153.1(11) of this title are fees subject to the two [~~three~~] percent limitation.

(5) Charges Absorbed by Lender. Charges a lender absorbs, and does not charge an owner or an owner's spouse that the owner or owner's spouse might otherwise be required to pay are unrestricted and not fees subject to the two [~~three~~] percent limitation.

(6) Charges to Originate. Charges an owner or an owner's spouse is required to pay to originate an equity loan that are not interest under §153.1(11) of this title are fees subject to the two [~~three~~] percent limitation.

(7) Charges Paid to Third Parties. Charges an owner or an owner's spouse is required to pay to third parties for separate and additional consideration for activities relating to originating an equity loan are fees subject to the two [~~three~~] percent limitation. For example, these charges include attorneys' fees for document preparation to the extent authorized by applicable law. Charges that [~~those~~] third parties absorb, and

do not charge an owner or an owner's spouse that the owner or owner's spouse might otherwise be required to pay are unrestricted and not fees subject to the two [~~three~~] percent limitation. [~~Examples of these charges include attorneys' fees for document preparation and mortgage brokers' fees to the extent authorized by applicable law.~~]

(8) Charges to Evaluate. Charges an owner or an owner's spouse is required to pay to evaluate the credit decision for an equity loan, that are not interest under §153.1(11) of this title, are fees subject to the two [~~three~~] percent limitation. Examples of these charges include fees collected to cover the expenses of a credit report, [~~survey,~~] flood zone determination, tax certificate, [~~title report,~~] inspection, or appraisal management services.

(9) Charges to Maintain. Charges paid by an owner or an owner's spouse to maintain an equity loan that are not interest under §153.1(11) of this title are fees subject to the two [~~three~~] percent limitation if the charges are paid at the inception of the loan, or if the charges are customarily paid at the inception of an equity loan but are deferred for later payment after closing.

(10) Charges to Record. Charges an owner or an owner's spouse is required to pay for the purpose of recording equity loan documents in the official public record by public officials are fees subject to the two [~~three~~] percent limitation.

(11) Charges to Insure an Equity Loan. Premiums an owner or an owner's spouse is required to pay to insure an equity loan are fees subject to the two [~~three~~] percent limitation. Examples of these charges include title insurance and mortgage insurance protection, unless the premiums

are otherwise excluded under paragraph (15) of this section.

(12) Charges to Service. Charges paid by an owner or an owner's spouse for a party to service an equity loan that are not interest under §153.1(11) of this title are fees subject to the two [~~three~~] percent limitation if the charges are paid at the inception of the loan, or if the charges are customarily paid at the inception of an equity loan but are deferred for later payment after closing.

(13) Exclusion for Appraisal Fee. A fee for an appraisal performed by a third party appraiser is not a fee subject to the two percent limitation. The appraisal must be performed by a person who is not an employee of the lender. The excludable appraisal fee is limited to the amount paid to the appraiser for the completion of the appraisal, and does not include an appraisal management services fee described by Texas Occupations Code, §1104.158(a)(2).

(14) Exclusion for Property Survey Fee. A fee for a property survey performed by a state registered or licensed surveyor is not a fee subject to the two percent limitation. The property survey must be performed by a person who is licensed or registered under Texas Occupations Code, Chapter 1071.

(15) Exclusion for Title Insurance Premium. A state base premium for a mortgagee policy of title insurance with endorsements established in accordance with state law is not a fee subject to the two percent limitation.

(A) The excludable premium is limited to the applicable basic premium rate for title insurance published by the Texas

Department of Insurance, plus authorized premiums for applicable endorsements.

(B) Any mortgagee policy for the equity loan must be provided by a company authorized to do business in this state.

(C) If additional premiums for endorsements are charged, the endorsements must be applicable to the mortgagee policy for the equity loan. Rules adopted by the Texas Department of Insurance govern the applicability of endorsements and the authorized amount of the premium for each endorsement.

(16) Exclusion for Title Examination Report Fee. A fee for a title examination report is not a fee subject to the two percent limitation if its cost is less than the state base premium for a mortgagee policy of title insurance without endorsements established in accordance with state law.

(A) The excludable fee must be less than the applicable basic premium rate for title insurance published by the Texas Department of Insurance, not including any additional premiums for endorsements.

(B) The fee for a title examination report may not be excluded from the two percent limitation if the equity loan is covered by a mortgagee policy of title insurance.

(C) The fee must comply with applicable law. If the equity loan is a secondary mortgage loan under Texas Finance Code, Chapter 342, then the fee is limited to a reasonable fee for a title examination and preparation of an abstract

of title by an attorney who is not an employee of the lender, or a title company or property search company authorized to do business in this state, as provided by Texas Finance Code, §342.308(a)(1).

(17) [(13)] Secondary Mortgage Loans. A lender making an equity loan that is a secondary mortgage loan under Texas Finance Code, Chapter 342 [of the Texas Finance Code] may charge only those fees permitted in Texas Finance Code, [TEX. FIN. CODE,] §§342.307, 342.308, and 342.502. A lender must comply with the provisions of Texas Finance Code, Chapter 342 [of the Texas Finance Code] and the constitutional restrictions on fees in connection with a secondary mortgage loan made under Texas Finance Code, Chapter 342 [of the Texas Finance Code].

(18) [(14)] Escrow Funds. A lender may provide escrow services for an equity loan. Because funds tendered by an owner or an owner's spouse into an escrow account remain the property of the owner or the owner's spouse those funds are not fees subject to the two [three] percent limitation. Examples of escrow funds include account funds collected to pay taxes, insurance premiums, maintenance fees, or homeowner's association assessments. A lender must not contract for a right of offset against escrow funds pursuant to Section 50(a)(6)(H).

(19) [(15)] Subsequent Events. The two [three] percent limitation pertains to fees paid or contracted for by an owner or owner's spouse at the inception or at the closing of an equity loan. On the date the equity loan is closed an owner or an owner's spouse may agree to perform certain promises during the term of the equity loan. Failure to perform an obligation of an equity

loan may trigger the assessment of costs to the owner or owner's spouse. The assessment of costs is a subsequent event triggered by the failure of the owner's or owner's spouse to perform under the equity loan agreement and is not a fee subject to the two [three] percent limitation. Examples of subsequent event costs include contractually permitted charges for force-placed homeowner's insurance costs, returned check fees, debt collection costs, late fees, and costs associated with foreclosure.

(20) [(16)] Property Insurance Premiums. Premiums an owner or an owner's spouse is required to pay to purchase homeowner's insurance coverage are not fees subject to the two [three] percent limitation. Examples of property insurance premiums include fire and extended coverage insurance and flood insurance. Failure to maintain this insurance is generally a default provision of the equity loan agreement and not a condition of the extension of credit. The lender may collect and escrow premiums for this insurance and include the premium in the periodic payment amount or principal amount. If the lender sells insurance to the owner, the lender must comply with applicable law concerning the sale of insurance in connection with a mortgage loan.

§153.14. One Year Prohibition: Section 50(a)(6)(M)(iii).

An equity loan may not be closed before the first anniversary of the closing date of any other equity loan secured by the same homestead property.

(1) (No change.)

(2) Section 50(a)(6)(M)(iii) does not prohibit modification of an equity loan before one year has elapsed since the loan's closing date. A modification of a home equity loan occurs when one or more terms of an existing equity loan is modified, but the note is not satisfied and replaced. A home equity loan and a subsequent modification will be considered a single transaction. The home equity requirements of Section 50(a)(6) will be applied to the original loan and the subsequent modification as a single transaction.

(A) - (C) (No change.)

(D) The two percent limitation [~~3% fee cap~~] required by Section 50(a)(6)(E) applies to the original home equity loan and any subsequent modification as a single transaction.

§153.17. *Authorized Lenders: Section 50(a)(6)(P).*

An equity loan must be made by one of the following that has not been found by a federal regulatory agency to have engaged in the practice of refusing to make loans because the applicants for the loans reside or the property proposed to secure the loans is located in a certain area: a bank, savings and loan association, savings bank, or credit union doing business under the laws of this state or the United States, including a subsidiary of a bank, savings and loan association, savings bank, or credit union described by this section; a federally chartered lending instrumentality or a person approved as a mortgagee by the United States government to make federally insured loans; a person licensed to make regulated loans, as provided by statute of this state; a person who sold the homestead property to the current owner and who provided all or

part of the financing for the purchase; a person who is related to the homestead owner within the second degree of affinity and consanguinity; or a person regulated by this state as a mortgage banker or mortgage company [~~broker~~].

(1) - (2) (No change.)

(3) A person who is licensed under Texas Finance Code, Chapter 156 is a person regulated by this state as a mortgage company [~~broker~~] for purposes of Section 50(a)(6)(P)(vi). A person who is registered under Texas Finance Code, Chapter 157 is a person regulated by this state as a mortgage banker for purposes of Section 50(a)(6)(P)(vi).

(4) (No change.)

§153.45. Refinance of an Equity Loan: Section 50(f).

A refinance of debt secured by the homestead, any portion of which is an extension of credit described by Subsection (a)(6) of Section 50, may not be secured by a valid lien against the homestead unless either the refinance of the debt is an extension of credit described by Subsection (a)(6) or (a)(7) of Section 50, or all of the conditions in Section 50(f)(2) are met.

(1) One Year Prohibition. To meet the condition in Section 50(f)(2)(A), the refinance may not be closed before the first anniversary of the closing date of the equity loan. For purposes of this section, the closing date of the refinance is the date on which the owner signs the loan agreement for the refinance.

(2) Advance of Additional Funds. To meet the condition in Section

50(f)(2)(B), the refinance may not include the advance of any additional funds other than funds advanced to refinance a debt described by Subsections (a)(1) through (a)(7) of Section 50, or actual costs and reserves required by the lender to refinance the debt.

(A) In order to be included in the funds advanced for the refinance, actual costs must be identifiable, must be actually required by the lender to refinance the debt, and must comply with any applicable limitations on costs.

(B) In order to be included in the funds advanced for the refinance, reserves (e.g., an escrow account for taxes and insurance) must be actually required by the lender to refinance the debt, and must comply with applicable law.

(C) Amounts that the owner pays before or at closing (e.g., through cash, check, or electronic funds transfer) are not advanced by the lender, and are not subject to the limitation on the advance of additional funds.

(3) 80 Percent Limitation on Loan Amount. To meet the condition in Section 50(f)(2)(C), the refinance of the extension of credit must be of a principal amount that when added to the aggregate total of the outstanding principal balances of all other indebtedness secured by valid encumbrances of record against the homestead does not exceed 80 percent of the fair market value of the homestead on the date the refinance of the extension of credit is made.

(A) The principal amount of the refinance is the sum of the amount advanced and any charges at the inception of the refinance, to the extent these charges are

financed in the principal amount of the refinance.

(B) The principal balance of all outstanding debt secured by the homestead on the date the refinance is made determines the maximum principal amount of the refinance.

(C) The principal amount of the refinance does not include interest accrued after the date the refinance is made (other than any interest capitalized and added to the principal balance on the date the refinance is made), or other amounts advanced by the lender after closing as a result of default, including for example, ad valorem taxes, hazard insurance premiums, and authorized collection costs, including reasonable attorney's fees.

(4) Refinance Disclosure. To meet the condition in Section 50(f)(2)(D), the lender must provide the refinance disclosure described in Section 50(f)(2)(D) to the owner on a separate document not later than the third business day after the date the owner submits the loan application to the lender and at least 12 days before the date the refinance of the extension of credit is closed.

(A) Submission of a loan application to an agent acting on behalf of the lender is submission to the lender. A loan application may be given orally or electronically.

(B) For purposes of Section 50(f)(2)(D), the application is submitted on the date the owner submits a loan application specifically for a refinance of a home equity loan to a non-home-equity loan. If the owner initially applies for

another type of loan, then the application is considered submitted on the earliest of:

(i) the date the owner modifies the application, orally or in writing, to specify that it is for a refinance of a home equity loan to a non-home-equity loan; or

(ii) the date the owner submits a new application specifically for a refinance of a home equity loan to a non-home-equity loan.

(C) For purposes of determining the earliest permitted closing date, the next succeeding calendar day after the date that the lender provides the owner a copy of the required refinance disclosure is the first day of the 12-day waiting period. The refinance may be closed at any time on or after the 12th calendar day after the lender provides the owner a copy of the required refinance disclosure.

(D) The lender must deliver the refinance disclosure or place it in the mail no later than the third business day after the owner submits the loan application. The refinance disclosure must be delivered to the owner at least 12 days before the refinance is closed. If a lender mails the refinance disclosure to the owner, the lender must allow a reasonable period of time for delivery. A period of three calendar days, not including Sundays and federal legal public holidays, constitutes a rebuttable presumption for sufficient mailing and delivery.

(E) One copy of the required refinance disclosure may be provided to married owners.

(F) The refinance disclosure is only a summary of the owner's rights, which

are governed by the substantive terms of the constitution. The substantive requirements prevail regarding a lender's responsibilities in an equity loan or refinance. A lender may supplement the refinance disclosure to clarify any discrepancies or inconsistencies.

(G) A lender may rely on an established system of verifiable procedures to evidence compliance with this paragraph.

(H) The Finance Commission will publish a Spanish translation of the refinance disclosure on its website. A lender whose discussions with the owner are conducted primarily in Spanish may provide the Finance Commission's Spanish translation to the owner, although the Spanish translation is not required by Section 50(f)(2).

§153.84. Restrictions on Devices and Methods to Obtain a HELOC Advance: Section 50(t)(3).

A HELOC is a form of an open-end account that may be debited from time to time, under which credit may be extended from time to time and under which an owner is prohibited from using a credit card, debit card, or similar device, or preprinted check unsolicited by the borrower to obtain a HELOC advance.

(1) A lender may offer one or more non-prohibited devices or methods for use by the owner to request an advance. Permissible methods include contacting the lender directly for an advance, telephonic fund transfers, and electronic fund transfers. Examples of devices that are not prohibited include prearranged drafts, preprinted checks requested by the borrower, or written transfer instructions. Regardless of the permissible method or device used to obtain

a HELOC advance, the amount of the advance must comply with:

(A) the advance requirements in Section 50(t)(2); and

(B) the loan to value limits in Section 50(t)(5). [~~and~~]

[~~(C) the debit or advance limits in Section 50(t)(6).~~]

(2) - (3) (No change.)

§153.86. Maximum Principal Amount Extended under a HELOC: Section 50(t)(5).

A HELOC is a form of an open-end account that may be debited from time to time, under which credit may be extended from time to time and under which the maximum principal amount that may be extended under the account, when added to the aggregated total of the outstanding principal balances of all indebtedness secured by the homestead on the date the extension of credit is established, cannot exceed 80 percent of the fair market value of the homestead on the date the extension of credit is made.

(1) - (3) (No change.)

(4) For purposes of calculating the maximum principal balance [~~limits and thresholds~~] under Section 50(t)(5) [~~and (6)~~], the outstanding principal balance of all other debts secured by the homestead is the principal balance outstanding of all other debts secured by the homestead on the date of the closing of the HELOC.

§153.87. Maximum Principal Amount of Additional Advances under a HELOC: Section 50(t)(6). {{Section 153.87 will be repealed.}}

Certification

The agencies hereby certify that the adoption has been reviewed by legal counsel and found to be within the commissions' legal authority to adopt.

Issued in Austin, Texas on February 16, 2018.

Leslie Pettijohn
Consumer Credit Commissioner
Joint Financial Regulatory Agencies

EXHIBIT "B"

**THIS SECURITY INSTRUMENT SECURES AN EXTENSION OF CREDIT AS
DEFINED BY SUBSECTION (a)(6) OF SECTION 50, ARTICLE XVI OF THE TEXAS
CONSTITUTION.**

Texas Home Equity Security Instrument

EXHIBIT "C"

NOTICE CONCERNING EXTENSIONS OF CREDIT DEFINED BY SECTION 50(a)(6), ARTICLE XVI, TEXAS CONSTITUTION:

SECTION 50(a)(6), ARTICLE XVI, OF THE TEXAS CONSTITUTION ALLOWS CERTAIN LOANS TO BE SECURED AGAINST THE EQUITY IN YOUR HOME. SUCH LOANS ARE COMMONLY KNOWN AS EQUITY LOANS. IF YOU DO NOT REPAY THE LOAN OR IF YOU FAIL TO MEET THE TERMS OF THE LOAN, THE LENDER MAY FORECLOSE AND SELL YOUR HOME. THE CONSTITUTION PROVIDES THAT:

- (A) THE LOAN MUST BE VOLUNTARILY CREATED WITH THE CONSENT OF EACH OWNER OF YOUR HOME AND EACH OWNER'S SPOUSE;
- (B) THE PRINCIPAL LOAN AMOUNT AT THE TIME THE LOAN IS MADE MUST NOT EXCEED AN AMOUNT THAT, WHEN ADDED TO THE PRINCIPAL BALANCES OF ALL OTHER LIENS AGAINST YOUR HOME, IS MORE THAN 80 PERCENT OF THE FAIR MARKET VALUE OF YOUR HOME;
- (C) THE LOAN MUST BE WITHOUT RECOURSE FOR PERSONAL LIABILITY AGAINST YOU AND YOUR SPOUSE UNLESS YOU OR YOUR SPOUSE OBTAINED THIS EXTENSION OF CREDIT BY ACTUAL FRAUD;
- (D) THE LIEN SECURING THE LOAN MAY BE FORECLOSED UPON ONLY WITH A COURT ORDER;
- (E) FEES AND CHARGES TO MAKE THE LOAN MAY NOT EXCEED 2 PERCENT OF THE LOAN AMOUNT, EXCEPT FOR A FEE OR CHARGE FOR AN APPRAISAL PERFORMED BY A THIRD PARTY APPRAISER, A PROPERTY SURVEY PERFORMED BY A STATE REGISTERED OR LICENSED SURVEYOR, A STATE BASE PREMIUM FOR A MORTGAGEE POLICY OF TITLE INSURANCE WITH ENDORSEMENTS, OR A TITLE EXAMINATION REPORT;
- (F) THE LOAN MAY NOT BE AN OPEN-END ACCOUNT THAT MAY BE DEBITED FROM TIME TO TIME OR UNDER WHICH CREDIT MAY BE EXTENDED FROM TIME TO TIME UNLESS IT IS A HOME EQUITY LINE OF CREDIT;
- (G) YOU MAY PREPAY THE LOAN WITHOUT PENALTY OR CHARGE;
- (H) NO ADDITIONAL COLLATERAL MAY BE SECURITY FOR THE LOAN;
- (I) (repealed);
- (J) YOU ARE NOT REQUIRED TO REPAY THE LOAN EARLIER THAN AGREED SOLELY BECAUSE THE FAIR MARKET VALUE OF YOUR HOME DECREASES OR BECAUSE YOU DEFAULT ON ANOTHER LOAN THAT IS NOT SECURED BY YOUR HOME;

(K) ONLY ONE LOAN DESCRIBED BY SECTION 50(a)(6), ARTICLE XVI, OF THE TEXAS CONSTITUTION MAY BE SECURED WITH YOUR HOME AT ANY GIVEN TIME;

(L) THE LOAN MUST BE SCHEDULED TO BE REPAID IN PAYMENTS THAT EQUAL OR EXCEED THE AMOUNT OF ACCRUED INTEREST FOR EACH PAYMENT PERIOD;

(M) THE LOAN MAY NOT CLOSE BEFORE 12 DAYS AFTER YOU SUBMIT A LOAN APPLICATION TO THE LENDER OR BEFORE 12 DAYS AFTER YOU RECEIVE THIS NOTICE, WHICHEVER DATE IS LATER; AND MAY NOT WITHOUT YOUR CONSENT CLOSE BEFORE ONE BUSINESS DAY AFTER THE DATE ON WHICH YOU RECEIVE A COPY OF YOUR LOAN APPLICATION IF NOT PREVIOUSLY PROVIDED AND A FINAL ITEMIZED DISCLOSURE OF THE ACTUAL FEES, POINTS, INTEREST, COSTS, AND CHARGES THAT WILL BE CHARGED AT CLOSING; AND IF YOUR HOME WAS SECURITY FOR THE SAME TYPE OF LOAN WITHIN THE PAST YEAR, A NEW LOAN SECURED BY THE SAME PROPERTY MAY NOT CLOSE BEFORE ONE YEAR HAS PASSED FROM THE CLOSING DATE OF THE OTHER LOAN, UNLESS ON OATH YOU REQUEST AN EARLIER CLOSING DUE TO A DECLARED STATE OF EMERGENCY;

(N) THE LOAN MAY CLOSE ONLY AT THE OFFICE OF THE LENDER, TITLE COMPANY, OR AN ATTORNEY AT LAW;

(O) THE LENDER MAY CHARGE ANY FIXED OR VARIABLE RATE OF INTEREST AUTHORIZED BY STATUTE;

(P) ONLY A LAWFULLY AUTHORIZED LENDER MAY MAKE LOANS DESCRIBED BY SECTION 50(a)(6), ARTICLE XVI, OF THE TEXAS CONSTITUTION;

(Q) LOANS DESCRIBED BY SECTION 50(a)(6), ARTICLE XVI, OF THE TEXAS CONSTITUTION MUST:

(1) NOT REQUIRE YOU TO APPLY THE PROCEEDS TO ANOTHER DEBT EXCEPT A DEBT THAT IS SECURED BY YOUR HOME OR OWED TO ANOTHER LENDER;

(2) NOT REQUIRE THAT YOU ASSIGN WAGES AS SECURITY;

(3) NOT REQUIRE THAT YOU EXECUTE INSTRUMENTS WHICH HAVE BLANKS FOR SUBSTANTIVE TERMS OF AGREEMENT LEFT TO BE FILLED IN;

(4) NOT REQUIRE THAT YOU SIGN A CONFESSION OF JUDGMENT OR POWER OF ATTORNEY TO ANOTHER PERSON TO CONFESS JUDGMENT OR APPEAR IN A LEGAL PROCEEDING ON YOUR BEHALF;

(5) PROVIDE THAT YOU RECEIVE A COPY OF YOUR FINAL LOAN APPLICATION AND ALL EXECUTED DOCUMENTS YOU SIGN AT CLOSING;

(6) PROVIDE THAT THE SECURITY INSTRUMENTS CONTAIN A DISCLOSURE THAT THIS LOAN IS A LOAN DEFINED BY SECTION 50(a)(6), ARTICLE XVI, OF THE TEXAS CONSTITUTION;

(7) PROVIDE THAT WHEN THE LOAN IS PAID IN FULL, THE LENDER WILL SIGN AND GIVE YOU A RELEASE OF LIEN OR AN ASSIGNMENT OF THE LIEN, WHICHEVER IS APPROPRIATE;

(8) PROVIDE THAT YOU MAY, WITHIN 3 DAYS AFTER CLOSING, RESCIND THE LOAN WITHOUT PENALTY OR CHARGE;

(9) PROVIDE THAT YOU AND THE LENDER ACKNOWLEDGE THE FAIR MARKET VALUE OF YOUR HOME ON THE DATE THE LOAN CLOSES; AND

(10) PROVIDE THAT THE LENDER WILL FORFEIT ALL PRINCIPAL AND INTEREST IF THE LENDER FAILS TO COMPLY WITH THE LENDER'S OBLIGATIONS UNLESS THE LENDER CURES THE FAILURE TO COMPLY AS PROVIDED BY SECTION 50(a)(6)(Q)(x), ARTICLE XVI, OF THE TEXAS CONSTITUTION; AND

(R) IF THE LOAN IS A HOME EQUITY LINE OF CREDIT:

(1) YOU MAY REQUEST ADVANCES, REPAY MONEY, AND REBORROW MONEY UNDER THE LINE OF CREDIT;

(2) EACH ADVANCE UNDER THE LINE OF CREDIT MUST BE IN AN AMOUNT OF AT LEAST \$4,000;

(3) YOU MAY NOT USE A CREDIT CARD, DEBIT CARD, OR SIMILAR DEVICE, OR PREPRINTED CHECK THAT YOU DID NOT SOLICIT, TO OBTAIN ADVANCES UNDER THE LINE OF CREDIT;

(4) ANY FEES THE LENDER CHARGES MAY BE CHARGED AND COLLECTED ONLY AT THE TIME THE LINE OF CREDIT IS ESTABLISHED AND THE LENDER MAY NOT CHARGE A FEE IN CONNECTION WITH ANY ADVANCE;

(5) THE MAXIMUM PRINCIPAL AMOUNT THAT MAY BE EXTENDED, WHEN ADDED TO ALL OTHER DEBTS SECURED BY YOUR HOME, MAY NOT EXCEED 80 PERCENT OF THE FAIR MARKET VALUE OF YOUR HOME ON THE DATE THE LINE OF CREDIT IS ESTABLISHED;

(6) IF THE PRINCIPAL BALANCE UNDER THE LINE OF CREDIT AT ANY TIME EXCEEDS 80 PERCENT OF THE FAIR MARKET VALUE OF YOUR HOME, AS DETERMINED ON THE DATE THE LINE OF CREDIT IS ESTABLISHED, YOU MAY NOT CONTINUE TO REQUEST ADVANCES UNDER THE LINE OF CREDIT UNTIL THE BALANCE IS LESS THAN 80 PERCENT OF THE FAIR MARKET VALUE; AND

(7) THE LENDER MAY NOT UNILATERALLY AMEND THE TERMS OF THE LINE OF CREDIT.

THIS NOTICE IS ONLY A SUMMARY OF YOUR RIGHTS UNDER THE TEXAS CONSTITUTION. YOUR RIGHTS ARE GOVERNED BY SECTION 50, ARTICLE XVI, OF THE TEXAS CONSTITUTION, AND NOT BY THIS NOTICE.

EXHIBIT "C2"

AVISO SOBRE EL CRÉDITO QUE SE CONCEDE:

DEFINIDO POR LA SECCIÓN 50(A) (6), ARTICULO XVI, CONSTITUCIÓN DE TEXAS:

SECCIÓN 50(A) (6), ARTÍCULO XVI, DE LA CONSTITUCIÓN DE TEXAS PERMITE QUE CIERTOS PRÉSTAMOS SE PUEDAN GARANTIZAR POR EL VALOR LIQUIDO DE SU HOGAR. TALES PRÉSTAMOS GENERALMENTE SE CONOCEN COMO PRÉSTAMOS SOBRE VALOR LÍQUIDO. SI USTED NO PAGA EL PRÉSTAMO O SI USTED NO CUMPLE CON LAS CONDICIONES DEL PRÉSTAMO, EL PRESTAMISTA PUEDE EJECUTAR UN JUICIO HIPOTECARIO Y VENDER SU HOGAR. LA CONSTITUCIÓN DISPONE QUE:

(A) EL PRÉSTAMO DEBE SER INICIADO VOLUNTARIAMENTE CON EL CONSENTIMIENTO DE CADA PROPIETARIO DE SU HOGAR, Y DE CADA CÓNYUGE DE CADA PROPIETARIO:

(B) LA CANTIDAD DEL PRINCIPAL DEL PRÉSTAMO AL HACERSE EL PRÉSTAMO NO DEBE EXCEDER UNA CANTIDAD QUE, AGREGÁNDOSE AL BALANCE DEL PRINCIPAL DE TODOS LOS OTROS EMBARGOS SOBRE SU HOGAR, SEA MÁS DEL 80 POR CIENTO DEL VALOR JUSTO DE VENTA DE SU HOGAR;

(C) EL PRÉSTAMO DEBE SER SIN REMEDIO DE RESPONSABILIDAD PERSONAL CONTRA USTED Y SU CÓNYUGE A NO SER QUE USTED O SU CÓNYUGE CONSIGUIÓ QUE SE LE CONCEDIERA EL CRÉDITO POR FRAUDE;

(D) EL DERECHO PRENDARIO (LIEN) QUE GARANTIZA EL PRÉSTAMO SE PUEDE EJECUTAR SOLO CON ORDEN JUDICIAL;

(E) LOS HONORARIOS Y EL COSTO DE HACER EL PRÉSTAMO NO DEBEN EXCEDER EL 2 POR CIENTO DE LA CANTIDAD DEL PRÉSTAMO, EXCEPTO CUANDO SEA UN CARGO O COSTO POR UNA TASACIÓN EFECTUADA POR UN TASADOR DE TERCEROS, UNA ENCUESTA DE PROPIEDAD REALIZADA POR UN TOPÓGRAFO REGISTRADO O LICENCIADO POR EL ESTADO, UNA PRIMA DE BASE ESTATAL PARA UNA POLIZA HIPOTECARIA DEL SEGURO DE TÍTULO CON ENDOSOS A BENEFICIO DEL ACREEDOR HIPOTECARIO, O UN INFORME DE EXAMEN DE TÍTULO;

(F) EL PRÉSTAMO NO DEBE SER CUENTA ABIERTA EN LA CUAL SE PUEDE CARGAR DE VEZ EN CUANDO O EN LA CUAL SE PUEDE EXTENDER CRÉDITO DE VEZ EN CUANDO; A MENOS QUE SEA UNA LÍNEA DE CRÉDITO SOBRE EL VALOR LÍQUIDO.

(G) PUEDE USTED PAGAR EL PRÉSTAMO ANTES DE SU VENCIMIENTO SIN CARGOS (MULTAS) NI COSTO;

(H) NO DEBE HABER SEGURIDAD COLATERAL ADICIONAL PARA EL PRÉSTAMO;

(I) (revocado);

(J) NO ES REQUISIDO QUE USTED PAGUE EL PRÉSTAMO ANTES DE LA FECHA DE VENCIMIENTO ACORDADA, SIMPLEMENTE PORQUE EL VALOR JUSTO DE MERCADO DE SU HOGAR HA DECAÍDO O PORQUE USTED ESTÁ EN INCUMPLIMIENTO DE OTRO PRÉSTAMO QUE NO ESTÁ GARANTIZADO POR SU HOGAR;

(K) DE ACUERDO CON LA SECCIÓN 50(A)(6), ARTÍCULO XVI DE LA CONSTITUCIÓN DE TEXAS SU HOGAR SE PUEDE USAR COMO GARANTÍA SOLO EN UN PRÉSTAMO A LA VEZ;

(L) EL PRÉSTAMO DEBE ESTAR PREVISTO PARA PAGARSE EN PAGOS QUE EQUIVALEN AL INTERÉS O QUE EXCEDEN LA CANTIDAD DE INTERÉS ACUMULADO EN CADA PERÍODO DE PAGO;

(M) LA CONCLUSIÓN DEL TRÁMITE DEL PRÉSTAMO NO PUEDE SER ANTES DE HABERSE CUMPLIDO 12 DÍAS DE CUANDO USTED SOMETE LA SOLICITUD PRESTAMISTA O ANTES DE HABERSE CUMPLIDO 12 DÍAS DESPUÉS DE HABER RECIBIDO USTED ESTE AVISO, DEPENDIENDO DE CUAL FECHA SEA DESPUÉS; Y NO SE PUEDE CONCLUIR TRÁMITES DEL PRÉSTAMO SIN SU PERMISO ANTES DE HABERSE CUMPLIDO UN DÍA DE NEGOCIO DEPUÉS DE LA FECHA CUANDO SE RECIBE UNA COPIA DE LA SOLICITUD DE PRÉSTAMO, SI NO ERA RECIBIDO ANTES Y UNA DIVULGACIÓN DETALLADA Y FINAL DE LAS CUOTAS ACTUALES, PUNTOS DE DESCUENTO, INTERÉS, COSTOS, Y CARGAS DE CIERRE; Y SI SU HOGAR SE USA PARA GARANTIZAR EL MISMO TIPO DE PRÉSTAMO EN EL ULTIMO AÑO, NO SE PUEDE CONCLUIR TRÁMITES DE UN PRÉSTAMO NUEVO GARANTIZADO POR LA MISMA PROPIEDAD ANTES DE HABER PASADO UN AÑO DE LA FECHA DE CONCLUSIÓN DE TRÁMITES DEL OTRO PRÉSTAMO, A AUNQUE SE PIDE BAJO JURAMENTO UN CONCLUSIÓN DEL TRÁMITE TEMPRANO DEBIDO DE UN ESTADO DE EMERGENCIA DECLARADO;

(N) LA CONCLUSIÓN DE TRÁMITES DEL PRÉSTAMO SOLO DEBE HACERSE EN EL DESPACHO DEL PRESTAMISTA, EN LA COMPAÑÍA DE TÍTULOS, O EN EL DESPACHO DE ALGÚN ABOGADO;

(O) EL PRESTAMISTA PUEDE COBRAR CUALQUIER ÍNDICE DE INTERÉS FIJO O VARIABLE AUTORIZADO POR LOS ESTATUTOS;

(P) SOLO UN PRESTAMISTA LEGALMENTE AUTORIZADO PUEDE HACER PRESTAMOS DE ACUERDO CON LA SECCIÓN 50(A) (6), ARTÍCULO XVI, DE LA CONSTITUCIÓN DE TEXAS;

(Q) PRÉSTAMOS INDICADOS EN LA SECCIÓN 50(A) (6), ARTÍCULO XVI, DE LA CONSTITUCIÓN DE TEXAS DEBEN:

(1) NO REQUERIR QUE USTED USE EL DINERO DEL PRÉSTAMO PARA OTRA DEUDA EXCEPTO UNA DEUDA QUE ESTÉ GARANTIZADA POR SU HOGAR O QUE LE DEBA A OTRO PRESTAMISTA;

(2) NO REQUERIR QUE USTED CEDA SU SALARIO COMO GARANTÍA;

(3) NO REQUERIR QUE USTED EJECUTE DOCUMENTOS QUE TENGAN ESPACIOS EN BLANCO PARA LOS TÉRMINOS DE ACUERDO SUBSTANTIVOS PARA QUE OTROS LOS LLENEN;

(4) NO REQUERIR QUE USTED FIRME UNA ADMISIÓN DE SENTENCIA O PODER A OTRA PERSONA PARA QUE ESA PERSONA HAGA LA ADMISIÓN DE SENTENCIA O PARA QUE SE PRESENTE EN ALGÚN PROCESO LEGAL EN SU NOMBRE;

(5) DISPONER QUE USTED RECIBA COPIA DE LA SOLICITUD FINAL Y TODOS LOS DOCUMENTOS EJECUTADOS QUE FIRME AL CONCLUIR EL TRÁMITE;

(6) DISPONER QUE LOS DOCUMENTOS DE GARANTÍA INCLUYAN LA DECLARACIÓN QUE ESTE PRÉSTAMO ES PRÉSTAMO DEFINIDO POR LA SECCIÓN 50(A) (6), ARTÍCULO XVI, DE LA CONSTITUCIÓN DE TEXAS;

(7) DISPONER QUE CUANDO EL PRÉSTAMO SE PAGUE TOTALMENTE, EL PRESTAMISTA FIRMARÁ Y LE DARÁ LA LIBERACIÓN DEL DERECHO PRENDARIO O LA CESIÓN DEL DERECHO PRENDARIO, CUALQUIERA DE LOS DOS QUE SEA APROPIADO AL CASO;

(8) DISPONER QUE USTED PUEDA, DURANTE EL PLAZO DE 3 DÍAS DESPUÉS DE CONCLUIR EL TRÁMITE, DESHACER EL PRÉSTAMO SIN PAGAR CARGOS (MULTAS) NI COSTO ALGUNO;

(9) DISPONER QUE USTED Y EL PRESTAMISTA RECONOCEN EL VALOR JUSTO DE MERCADO DE SU HOGAR EN LA FECHA DE CONCLUIR EL TRÁMITE DEL PRÉSTAMO;

(10) DISPONER QUE EL PRESTAMISTA PERDERÁ TODO PRINCIPAL E INTERÉS SI EL PRESTAMISTA NO CUMPLE CON SUS OBLICACIONES SALVO QUE EL PRESTAMISTA CORRIJE SU INCUMPLIMIENTO SEGÚN LO DISPUESTO EN LA SECCIÓN 50(A) (6) (Q) (X), ARTÍCULO XVI, DE LA CONSTITUCIÓN DE TEXAS; Y

(R) SI EL PRÉSTAMO ES UNA LÍNEA DE CRÉDITO SOBRE EL VALOR LIQUIDO:

- (1) PODRÁ SOLICITAR ADELANTOS, LIQUIDAR DEUDA O VOLVER A PEDIR CRÉDITO DE CONFORMIDAD CON LA LÍNEA DE CRÉDITO;
- (2) CADA ADELANTO DE ACUERDO CON LA LÍNEA DE CRÉDITO NO PODRÁ SER INFERIOR A UN MONTO DE \$4,000;
- (3) NO PODRÁ UTILIZAR UNA TARJETA DE CRÉDITO, TARJETA DE DÉBITO NI NINGÚN OTRO MÉTODO SIMILAR, O UN CHEQUE PREGRABADO QUE NO SE SOLÍCITA, PARA OBTENER ADELANTOS EN VIRTUD DE LA LÍNEA DE CRÉDITO;
- (4) EL PRESTAMISTA SÓLO PODRÁ CARGAR Y COBRAR CUOTAS EN EL MOMENTO EN QUE SE CONCEDE LA LÍNEA DE CRÉDITO Y NO PODRÁ IMPONER CUOTA ALGUNA EN RELACIÓN CON NINGÚN ADELANTO;
- (5) EL PRINCIPAL MÁXIMO QUE PUEDE CONCEDERSE, UNA VEZ SUMADO AL RESTO DE DEUDAS AVALADAS POR SU HOGAR, NO PODRÁ SOBREPASAR EL 80 POR CIENTO DEL VALOR EN EL MERCADO DE SU HOGAR EN LA FECHA DE CONCESIÓN DE LA LÍNEA DE CRÉDITO;
- (6) SI EL MONTO DEL PRINCIPAL DE LA LÍNEA DE CRÉDITO SOBREPASA, EN CUALQUIER MOMENTO, EL 80 POR CIENTO DEL VALOR EN EL MERCADO DE SU HOGAR EN LA FECHA DE LA CONCESIÓN DE LA LÍNEA DE CRÉDITO, NO PODRÁ CONTINUAR SOLICITANDO ADELANTOS DE LA LÍNEA DE CRÉDITO HASTA QUE DICHO MONTO SEA INFERIOR AL 80 POR CIENTO DEL VALOR DE MERCADO DE SU HOGAR; Y
- (7) EL PRESTAMISTA NO PODRÁ MODIFICAR DE UNILATERALMENTE LAS CONDICIONES DE LA LÍNEA DE CRÉDITO.

ESTE ES SÓLO UN RESUMEN DE LOS DERECHOS QUE LE ASISTEN SEGÚN LA CONSTITUCIÓN DEL ESTADO DE TEXAS. SUS DERECHOS SE RIGEN POR LA SECCIÓN 50, ARTÍCULO XVI, DE LA CONSTITUCIÓN DEL ESTADO DE TEXAS Y NO POR ESTE AVISO.

EXHIBIT "D"

NOTICE CONCERNING REFINANCE OF EXISTING HOME EQUITY LOAN TO NON-HOME EQUITY LOAN UNDER SECTION 50(f)(2), ARTICLE XVI, TEXAS CONSTITUTION:

YOUR EXISTING LOAN THAT YOU DESIRE TO REFINANCE IS A HOME EQUITY LOAN. YOU MAY HAVE THE OPTION TO REFINANCE YOUR HOME EQUITY LOAN AS EITHER A HOME EQUITY LOAN OR AS A NON-HOME EQUITY LOAN, IF OFFERED BY YOUR LENDER.

HOME EQUITY LOANS HAVE IMPORTANT CONSUMER PROTECTIONS. A LENDER MAY ONLY FORECLOSE A HOME EQUITY LOAN BASED ON A COURT ORDER. A HOME EQUITY LOAN MUST BE WITHOUT RECOURSE FOR PERSONAL LIABILITY AGAINST YOU AND YOUR SPOUSE.

IF YOU HAVE APPLIED TO REFINANCE YOUR EXISTING HOME EQUITY LOAN AS A NON-HOME EQUITY LOAN, YOU WILL LOSE CERTAIN CONSUMER PROTECTIONS. A NON-HOME EQUITY REFINANCED LOAN:

- (1) WILL PERMIT THE LENDER TO FORECLOSE WITHOUT A COURT ORDER;
- (2) WILL BE WITH RECOURSE FOR PERSONAL LIABILITY AGAINST YOU AND YOUR SPOUSE; AND
- (3) MAY ALSO CONTAIN OTHER TERMS OR CONDITIONS THAT MAY NOT BE PERMITTED IN A TRADITIONAL HOME EQUITY LOAN.

BEFORE YOU REFINANCE YOUR EXISTING HOME EQUITY LOAN TO MAKE IT A NON-HOME EQUITY LOAN, YOU SHOULD MAKE SURE YOU UNDERSTAND THAT YOU ARE WAIVING IMPORTANT PROTECTIONS THAT HOME EQUITY LOANS PROVIDE UNDER THE LAW AND SHOULD CONSIDER CONSULTING WITH AN ATTORNEY OF YOUR CHOOSING REGARDING THESE PROTECTIONS.

YOU MAY WISH TO ASK YOUR LENDER TO REFINANCE YOUR LOAN AS A HOME EQUITY LOAN. HOWEVER, A HOME EQUITY LOAN MAY HAVE A HIGHER INTEREST RATE AND CLOSING COSTS THAN A NON-HOME EQUITY LOAN.

EXHIBIT "D2"

AVISO SOBRE LA REFINANCIACIÓN DE SU PRÉSTAMO EXISTENTE SOBRE EL VALOR LÍQUIDO DE LA VIVIENDA A UN PRÉSTAMO QUE NO-SEA SOBRE EL VALOR LÍQUIDO DE LA VIVIENDA DEFINIDO POR LA SECCIÓN 50(f)(2), ARTICULO XVI, CONSTITUCIÓN DE TEXAS:

SU PRÉSTAMO EXISTENTE QUE USTED DESEA REFINANCIAR ES UN PRÉSTAMO SOBRE EL VALOR LÍQUIDO DE LA VIVIENDA. USTED QUIZAS TENGA LA OPCIÓN DE REFINANCIAR SU PRÉSTAMO SOBRE EL VALOR LÍQUIDO DE LA VIVIENDA COMO UN PRÉSTAMO SOBRE EL VALOR LÍQUIDO DE LA VIVIENDA O UN PRÉSTAMO QUE NO-SEA SOBRE EL VALOR LÍQUIDO DE LA VIVIENDA, SI ES OFRECIDO POR SU PRESTAMISTA.

PRÉSTAMOS SOBRE EL VALOR LÍQUIDO DE LA VIVIENDA TIENEN PROTECCIONES IMPORTANTES PARA EL CONSUMIDOR. UN PRESTAMISTA QUIZAS PUEDA HACER UNA EJECUCION HIPOTECARIA DE SU PRÉSTAMO SOBRE EL VALOR LÍQUIDO DE LA VIVIENDA BASADO SOBRE UNA ORDEN DE LA CORTE. UN PRÉSTAMO SOBRE EL VALOR LÍQUIDO DE LA VIVIENDA DEBE SER SIN REMEDIO DE RESPONSABILIDAD PERSONAL CONTRA USTED Y SU CÓNYUGE.

SI USTED APLICO PARA REFINANCIAR SU PRÉSTAMO SOBRE EL VALOR LÍQUIDO DE LA VIVIENDA A UN PRÉSTAMO QUE NO-SEA SOBRE EL VALOR LÍQUIDO DE LA VIVIENDA, USTED PERDERÁ CIERTAS PROTECCIONES AL CONSUMIDOR. UN PRÉSTAMO QUE NO-SEA SOBRE EL VALOR LÍQUIDO DE LA VIVIENDA:

- (1) LE PERMITIRÁ AL PRESTAMISTA HACER LA EJECUCIÓN DE HIPOTECA SIN UNA ORDEN DE LA CORTE;
- (2) SERA CON REMEDIO DE RESPONSABILIDAD PERSONAL CONTRA USTED Y SU CÓNYUGE; Y
- (3) PUEDE TAMBIÉN INCLUIR OTROS TÉRMINOS Y CONDICIONES QUE QUIZAS NO SEAN PERMITIDOS EN UN PRÉSTAMO SOBRE EL VALOR LÍQUIDO DE LA VIVIENDA.

ANTES DE REFINANCIAR SU PRÉSTAMO EXISTENTE SOBRE EL VALOR LÍQUIDO DE LA VIVIENDA PARA HACERLO UN PRÉSTAMO QUE NO-SEA SOBRE EL VALOR LÍQUIDO DE LA VIVIENDA, USTED DEBE ASEGURARSE DE QUE ENTIENDE QUE USTED ESTA RENUNCIANDO A LAS PROTECCIONES IMPORTANTES PROPORCIONADAS BAJO LA LEY A PRÉSTAMOS SOBRE EL VALOR LÍQUIDO DE LA VIVIENDA Y DEBA CONSIDERAR CONSULTAR CON UN ABOGADO DE SU ELECCIÓN REFERENTE A ESTAS PROTECCIONES.

USTED QUIZAS QUIERA PEDIRLE AL PRESTAMISTA QUE REFINANCIE SU PRÉSTAMO COMO UN PRÉSTAMO SOBRE EL VALOR LÍQUIDO DE LA VIVIENDA. PERO, UN PRÉSTAMO SOBRE EL VALOR LÍQUIDO DE LA VIVIENDA QUIZAS TENGA UNA TASA DE INTERÉS MAYOR Y COSTOS DE CIERRE QUE UN PRÉSTAMO QUE NO-SEA SOBRE EL VALOR LÍQUIDO DE LA VIVIENDA.

EXHIBIT "E"

**AFFIDAVIT ACKNOWLEDGING COMPLIANCE OF EQUITY LOAN
RATE/TERM REFINANCE REQUIREMENTS
(PURSUANT TO TEXAS CONSTITUTION, ART. XVI, SECTION 50(f)(2))**

STATE OF TEXAS §
 §
COUNTY OF _____ §

Loan No.:

Lender:

Homestead Property:

BEFORE ME, the undersigned authority, on this day personally appeared _____
_____ (“Affiant”, collectively if more than one), who is/are the owner(s)
and/or the spouse(s) of the owner(s) of the Homestead Property, being by me first duly sworn, state the following
under oath:

Affiant is the owner or spouse of the owner of the Homestead Property. Affiant has applied for and wishes to close
a refinance mortgage transaction (the “Loan”) of an existing home equity loan secured by the Homestead Property,
as permitted by Article XVI, Section 50(f)(2), Texas Constitution. Affiant hereby, under oath, states and affirms the
following conditions required of Lender have been met and complied with in the Loan creation and closing:

- 1) The Loan was not closed before the first anniversary date of the date the existing home equity loan was closed;
- 2) The Loan does not include the advance of additional funds other than funds necessary to pay-off the existing home equity loan and, if applicable, other debt secured by a valid lien against the Homestead Property, as well as the actual costs and escrow reserve funds required by Lender to close the Loan;
- 3) The Loan is of a principal amount that when added to the aggregate total of the outstanding principal balances of all other indebtedness secured by valid encumbrances of record against the Homestead Property does not exceed 80 percent of the fair market value of the Homestead Property on the date the refinance of the extension of credit is made; and
- 4) The Lender provided the owner of the Homestead Property the following written notice on a separate document not later than the third business day after the date the owner submitted the loan application for the Loan to the Lender and at least 12 days before the date the Loan closed:

**“NOTICE CONCERNING EXTENSIONS OF CREDIT DEFINED
BY SECTION 50(f)(2), ARTICLE XVI,
TEXAS CONSTITUTION
(Home Equity to Rate/Term Refinance)**

YOUR EXISTING LOAN THAT YOU DESIRE TO REFINANCE IS A HOME EQUITY LOAN.
YOU MAY HAVE THE OPTION TO REFINANCE YOUR HOME EQUITY LOAN AS EITHER

A HOME EQUITY LOAN OR AS A NON-HOME EQUITY LOAN, OFFERED BY YOUR LENDER.

HOME EQUITY LOANS HAVE IMPORTANT CONSUMER PROTECTIONS. A LENDER MAY ONLY FORECLOSE A HOME EQUITY LOAN BASED ON A COURT ORDER. A HOME EQUITY LOAN MUST BE WITHOUT RECOURSE FOR PERSONAL LIABILITY AGAINST YOU AND YOUR SPOUSE.

IF YOU HAVE APPLIED TO REFINANCE YOUR EXISTING HOME EQUITY LOAN AS A NON-HOME EQUITY LOAN, YOU WILL LOSE CERTAIN CONSUMER PROTECTIONS. A NON-HOME EQUITY REFINANCED LOAN:

- (1) WILL PERMIT THE LENDER TO FORECLOSE WITHOUT A COURT ORDER;
- (2) WILL BE WITH RECOURSE FOR PERSONAL LIABILITY AGAINST YOU AND YOUR SPOUSE; AND
- (3) MAY ALSO CONTAIN OTHER TERMS OR CONDITIONS THAT MAY NOT BE PERMITTED IN A TRADITIONAL HOME EQUITY LOAN.

BEFORE YOU REFINANCE YOUR EXISTING HOME EQUITY LOAN TO MAKE IT A NON-HOME EQUITY LOAN, YOU SHOULD MAKE SURE YOU UNDERSTAND THAT YOU ARE WAIVING IMPORTANT PROTECTIONS THAT HOME EQUITY LOANS PROVIDE UNDER THE LAW AND SHOULD CONSIDER CONSULTING WITH AN ATTORNEY OF YOUR CHOOSING REGARDING THESE PROTECTIONS.

YOU MAY WISH TO ASK YOUR LENDER TO REFINANCE YOUR LOAN AS A HOME EQUITY LOAN. HOWEVER, A HOME EQUITY LOAN MAY HAVE A HIGHER INTEREST RATE AND CLOSING COSTS THAN A NON-HOME EQUITY LOAN.”

Affiant affirms and acknowledges Lender would not make the Loan without, and will rely upon the truthfulness of, the representations made herein.

Executed this _____ day of _____, 20_____.

Owner

Owner

Owner

Owner

SWORN TO AND SUBSCRIBED BEFORE ME this _____ day of _____, 20_____, by _____.

NOTARY PUBLIC, STATE OF TEXAS

EXHIBIT "F"

**Acknowledgment of Fair Market Value of Homestead Property
For Rate/Term Refinance of Qualified Texas Home Equity Loan**

Date:

Borrower(s)/Owner(s):

Property Address:

Lender Name:

Loan No:

I/We, the undersigned Owner(s) of the above captioned property (the "Homestead Property") acknowledge that I am, or we constitute, the sole owner(s) of the Homestead Property, which will be used to secure a rate/term refinance of an existing Texas home equity loan, in compliance with and as permitted by Texas Constitution Art. XVI, Section 50(f)(2). I/We hereby acknowledge that on _____, the date of loan closing, the fair market value of the Homestead Property is \$_____. I/We understand that Lender is relying on this written acknowledgment regarding fair market value of the Homestead Property as a condition of making the extension of credit and I/We have no knowledge or reason to believe that the fair market value of the Homestead Property stated in this Acknowledgment is inaccurate or incorrect.

Owner

Date

Owner

Date

THE STATE OF TEXAS §

COUNTY OF _____ §

This instrument was acknowledged before me on the _____ day of _____, 20_____, by _____.

Notary Public