



Texas Section 50(a)(6) Refinance Eligibility Matrix and Summary Guidelines

Information and Disclaimers Regarding Use of this Document

This document is not intended to replace Agency or LenderLive Non-Agency guidelines. Correspondent shall deliver loans originated in accordance with requirements set forth in: 1) the Texas Constitution; 2) Texas Civil Statutes; 3) the Texas Finance Code; 4) all Applicable Laws; 5) applicable Agency or LenderLive Non-Agency guidelines, unless otherwise noted in this document; 5) applicable LenderLive Product Profiles; and 6) LenderLive Seller Guide. This document is to be used in conjunction with LenderLive Product Profiles. This document is as an aid to help determine whether a Mortgage Loan qualifies for certain financing. In the event of any conflicts between this document, Agency/Non-Agency Guidelines, LenderLive Product Profiles, and/or LenderLive Seller Guide; follow the more restrictive guidance.

Matrix

Correspondents may use the following Matrix as an aid to determine whether a loan meets eligibility criteria for Texas 50(a)(6). Note that this Matrix may not account for all scenarios. It is the Correspondent's responsibility to ensure loans meet all Texas 50(a)(6) requirements, regardless of the information provided in this Matrix.

If the following conditions exist:

Then the new loan is considered:

Current Lien(s) ^{1,2}	Is Current 1st a 50(a)(6)?	Is Current 2nd a 50(a)(6)?	Is 2nd to be Paid Off?	Is 2nd to be Subordinated?	Any Cash to Borrower?	Limited Cash Out (Rate & Term Refi) Loan Purpose	Cash Out Refinance Loan Purpose	Subject to 50(a)(6)?
1st Mortgage Only; No existing 2nd Mortgage	No				No	X		No*
	No				Yes	X	Yes	
	Yes				No	X	X	Yes/No
	Yes				Yes	X	Yes	
1st Mortgage & 2nd Mortgage = Purchase Money	No	No	No	Yes	No	X		No*
	No	No	No	Yes	Yes		X	Yes
	No	No	Yes		No	X		No*
	No	No	Yes		Yes		X	Yes
	Yes	No	No	Yes	No	X		Yes
	Yes	No	No	Yes	Yes	X	X	Yes
	Yes	No	Yes		No	X		Yes
1st Mortgage & 2nd Mortgage = Qualified Home Improvement Loan	No	No	No	Yes	No	X		No*
	No	No	No	Yes	Yes		X	Yes
	No	No	Yes		No	X		No*
	No	No	Yes		Yes		X	Yes
	Yes	No	No	Yes	No	X	X	Yes/No
	Yes	No	No	Yes	Yes	Yes	X	Yes
	Yes	No	Yes		No	X	X	Yes/No
1st Mortgage & 2nd Mortgage = NOT Purchase Money or Home Improvement	No	Yes	No	Yes	Not Permitted	X		Not Permitted
	No	Yes	Yes		No		X	Yes
	No	Yes	Yes		Yes		X	Yes

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Footnotes:

- ¹ Second mortgage that is subject to 50(a)(6) may not be re-subordinated if the new first mortgage will be subject to Section 50(a)(6); it must be closed
- ² HELOC subordinate financing is **not** permitted
- * If "No," loan is not subject to Texas 50(a)(6) requirements. Follow Product Profile requirements

Summary Guidelines

Correspondent Approval	Correspondents must obtain specific Seller approval from LenderLive to deliver Texas 50(a)(6) transactions. Contact your Account Executive and refer to Texas 50(a)(6) Mortgage Loan Eligibility section of LenderLive Seller Guide eligibility criteria.
LenderLive Seller Guide References	<p>Refer to the following sections of LenderLive Seller Guide for additional requirements:</p> <ul style="list-style-type: none"> Texas 50(a)(6) Mortgage Loan Eligibility Texas 50(a)(6) Requirements, Representations and Warranties Consumer Complaints and Notices, Texas 50(a)(6) Title Coverage for Escrows Included in the Mortgage Loan Amount, Texas Texas Refinance Mortgage Loans (under Regulatory Compliance) Representations and Warranties
Product Profiles	This document is to be used in conjunction with applicable LenderLive Product Profiles to determine Mortgage Loan eligibility.

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General Description of Texas Section 50(a)(6) Mortgage Loan

• General Description

- Article XVI, Section 50(a)(6) of the Texas Constitution allows first or second mortgages secured by a homestead property for the purpose of taking out equity
- A mortgage originated under this Section is referred to as a 'Texas Home Equity Loan,' or 'Texas Section 50(a)(6) Loan'
- LenderLive will accept Texas Section 50(a)(6) first lien Mortgage Loans
- There are two scenarios that legally classify a mortgage as a Texas Section 50(a)(6) Loan:
 1. a new loan is originated for the purpose of taking equity out (Cash Out Refinance), or
 2. an existing Texas Section 50(a)(6) first or second mortgage is paid off by a new 50(a)(6) first mortgage
 - a. Even if no cash is taken from the transaction, a refinance of an 50(a)(6) must be identified as a 50(a)(6) Limited Cash Out (also referred to as Rate/Term Refinance and No Cash Out) **except as outlined below:**
 - ~~Once the borrower has executed a home equity/cash-out refinance on an owner-occupied, homestead property under Section 50(a)(6), Article XVI of the Texas Constitution, all subsequent transactions are considered home equity Cash-Out Refinances until title is transferred, regardless of whether the~~
 - The loan being refinanced is at least 1 year after the filing date of the most recent Section 50(a)(6) loan.
 - The loan being refinanced loan cannot provide any additional money to the borrower other than to cover the cost refinance
 - The loan being refinanced loan cannot exceed 80% of the fair market value of the property; and
 - The loan being refinanced must include an owner's affidavit acknowledging lender's compliance with constitutional requirements for rate/term refinance. Affidavit must be signed by owner and owners spouse and recorded.

• Restrictions

- There can be only one outstanding 50(a)(6) loan on a property at any given time
 - If the borrower has an existing 50(a)(6) second lien and is getting cash-out from the first mortgage, 2nd lien must be paid off
- The 50(a)(6) loan may not be used to acquire the property or to finance construction
 - ~~There can be no agriculture exemption on the property~~

• Summary

- The following are considered Texas Section 50(a)(6) loans:
 - Loans using proceeds to pay off an existing 50(a)(6) loan (as identified in title work) **unless guidelines met to do a non-50a6 rate and term refinance**
 - Loans using proceeds to pay current taxes due (not yet delinquent) on the property securing the new loan.
 - Loans that include the payment of HOA dues
 - Loans using proceeds to pay off or pay down debts that are not secured by the homestead property
 - Loans with **any** cash back to the borrower, including amounts normally permitted under Agency Rate & Term Refinances; even \$1.00
- The following are NOT considered Texas Section 50(a)(6) loans:
 - Loans using proceeds to pay off delinquent federal tax liens **against both borrowers individually**
 - Loans using proceeds to buy out equity pursuant to a court order or agreement of the parties (usually applies to a divorce settlement)
 - Loan proceeds used to pay a prepayment penalty assessed on an existing non-50(a)(6) loan, and the prepayment is included in the payoff amount. The new loan must have a new title policy issued without exception to the financing of the prepayment fee
- See Refinance Requirements below for additional information

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Borrowers: Eligible	<ul style="list-style-type: none"> • U.S. Citizens • Permanent Resident Aliens • Non-Permanent Resident Aliens • Co-Borrowers/Co-Mortgagors/Co-Signers/Guarantors <ul style="list-style-type: none"> ▪ All co-borrowers must occupy the property ▪ If the borrower(s) does not qualify for the loan, the addition of a co-signer or a non-occupant co-borrower for purposes of qualifying for the loan is ineligible , unless vested on Title or spouse ▪ Inter Vivos Revocable Trust ▪ Must meet LenderLive Seller Guide and Texas Constitution Section 50(a)(6) requirements • Non-Borrowing Spouse <ul style="list-style-type: none"> ▪ A married borrower may not create a lien against the property unless his/her spouse consents to the lien by signing the following: <ul style="list-style-type: none"> ○ Texas Home Equity Notice ○ Security Instrument ○ Closing Disclosure ○ Right of Rescission Notice ○ Discount Point Disclosure if applicable ○ Acknowledgment of Fair Market Value ○ Premium Pricing Disclosure ○ Notice Concerning Equity Loan Extension of Credit (English or Spanish) document <ul style="list-style-type: none"> – The signing of this document starts the 12 day 'Cooling Off Period' • Occupancy <ul style="list-style-type: none"> ▪ Primary Residence; Owner Occupied by all borrowers ▪ Borrower(s) must currently occupy the property as their primary residence and be in title to the property • Title <ul style="list-style-type: none"> ▪ All borrowers must be on title if not married.
Borrowers: Ineligible	<ul style="list-style-type: none"> • Non occupant Co-Borrowers/Co-Mortgagors/Co-Signers/Guarantors • Foreign nationals • Borrowers with diplomatic immunity • Power of Attorney • Borrowers not on title • Corporations or partnerships • Title <ul style="list-style-type: none"> ▪ Title held as Tenants by the entirety by unmarried borrowers • Loans pursuant to Texas House Bill 637, which authorize loans to natural or adoptive parents, conservators, or guardians of a minor or ward on homestead property where the minor or ward has an ownership interest <ul style="list-style-type: none"> ▪ These transactions require court approval and extensive court oversight and are therefore ineligible

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- **Eligible Property Requirements**
 - 1 Unit Single Family Attached/Detached
 - Condos (1 Unit) - must meet Agency and LenderLive requirements
 - PUDs Attached/Detached(1 Unit)
 - Modular Homes (1 Unit)
 - Manufactured Homes (1 Unit) eligible only if: 1) classified as real property under Texas law; 2) permitted in applicable LenderLive Product Profile; 3) satisfies LenderLive eligibility criteria; and 4) satisfies Agency eligibility criteria
- **Property Requirements**
 - Property must be borrower's homestead in state of Texas
 - All separate structures must be included in the homestead exemption -no additional collateral such as income apartment garage, etc. and must be used together
 - Only the parcel designated as the homestead parcel may secure the loan
 - The property may have to be surveyed out prior to the appraisal being ordered
 - The homestead parcel, as identified on the county appraisal district records, must include ingress/egress to a properly identified public road
 - The new lien may only be secured by the homestead parcel and the market value for LTV calculation can only be assessed on that parcel and any easements necessary or beneficial to the use of the homestead
- **Acreage**
 - Urban properties cannot exceed 10 acres (no exceptions)
 - See chart below for property determination
 - Property can not have an agricultural tax exemption - **ag exemption is allowed but lender/investor approval is necessary for title tax deletion requirement**
 - Rural properties may exceed 10 acres but may never exceed 20 acres
 - See chart below for property determination
 - The property should conform to and be acceptable in the market area
 - The appraisal must include the actual size of the site and not a portion of the site

Property; Requirements and Eligible Property Types

	Urban Homestead Definition	Rural Homestead Definition
Acreage	Acreage securing the loan may not exceed 10 acres	Acreage may exceed 10 acres - However, the lot size must be typical and common with highest and best use as residential - <u>In no case may the lot size exceed 20 acres</u>
Property Location and Services	Property must be located: <ul style="list-style-type: none"> - Within municipal boundaries, or - Its extraterritorial jurisdiction, or - A platted subdivision And be served by police protection, paid or volunteer fire protection and at least three (3) of the following services provided by a municipality or under contract to a municipality: <ul style="list-style-type: none"> • Electric • Natural gas • Sewer • Storm sewer; and • Water 	The property is not located within municipal boundaries or its extraterritorial jurisdiction, or if the property is located in one of those types of areas: <ul style="list-style-type: none"> - It is not served by police protection or paid or volunteer fire protection provided by the municipality or under contract to a municipality, and - The municipality provides directly or under contract less than three (3) of the following services: <ul style="list-style-type: none"> • Electric • Natural gas • Sewer • Storm sewer; and • Water

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Property; Ineligible Property Types	<ul style="list-style-type: none"> • > 1 Unit property • Second Homes • Investment Properties • Rural Non Homestead Property • Urban homestead > 10 acres and Rural homestead > 20 acres (See Property: Eligible Property Types section for additional information) • Agricultural Property, including timber use property, working farms and ranches (may not have a property tax exemption for agricultural use as of the date of closing) <ul style="list-style-type: none"> • If property was previously designated with an agricultural exemption, the exemption must have been removed at least 12 months prior to application date • Community Living Group Homes, Long Term Care Facilities, etc. • Condition Rating of C5/C6 or a Quality Rating of Q6 • Condominium Conversions that were converted within the last three years • Condotels and Hotel Condominiums • Cooperatives • Unique properties, including but not limited to Geodesic Domes, Geothermal Homes • Homes being purchased using HomeStyle Financing • Land Trusts • Leaseholds • Mixed use • Not suitable for year round use or no year round access • Property currently in litigation (for condominiums, refer to Condominium Litigation section of this Guide for allowances and restrictions) • Property subject to private transfer fee covenants • Property located in an area that is deemed an environmental risk • Property with 2 kitchens • Property with survey exceptions • Property with deed restriction • Properties on Indian (Native American) tribal or Indian Trust Land or Restricted Land or where borrower has a leasehold interest in same • Unimproved Land • Timeshare, houseboat, segmented ownership project; • Unapproved non-conforming use property (does not include grand fathered use) • Refer to LenderLive Seller Guide for complete list of ineligible property types
Appraisal	<ul style="list-style-type: none"> • A new full appraisal with interior/exterior inspection is required, regardless of the appraisal format recommended by DU, LP or the program type <ul style="list-style-type: none"> ▪ Property inspections and/or waivers are not permitted ▪ Tax assessed values and exterior-only appraisals are not permitted

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Fannie Mae			Freddie Mac	
Product	Fixed Rate	ARM (LIBOR)	Product	Fixed Rate
Standard	10 Yr FNMA TXHE50a6	5/1 ARM FNMA TXHE50a6 (plan 2725) 7/1 ARM FNMA TXHE50a6 (plan 2727) 10/1 ARM FNMA TXHE50a6 (plan 2729)	Standard	15 Yr FHLMC TXHE50a6
	15 Yr FNMA TXHE50a6			20 Yr FHLMC TXHE50a6
	20 Yr FNMA TXHE50a6			30 Yr FHLMC TXHE50a6
	25 Yr FNMA TXHE50a6			
	30 Yr FNMA TXHE50a6			
DU Refi Plus	10 Yr DURP TXHE50a6	N/A	Open Access	15 Yr OA TXHE50a6
	15 Yr DURP TXHE50a6			20 Yr OA TXHE50a6
	20 Yr DURP TXHE50a6			30 Yr OA TXHE50a6
	25 Yr DURP TXHE50a6			
	30 Yr DURP TXHE50a6			

Products: Eligible & Ineligible

- **Eligible Products** - See above grid for eligible LenderLive Products
 - Fannie Mae
 - Fixed Rate fully amortizing 10, 15, 20, 25 and 30 yr terms
 - ARMs
 - 5/1 LIBOR ARM plan 2725
 - 7/1 LIBOR ARM plan 2727
 - 10/1 LIBOR ARM plan 2729
 - DU Refi Plus - Fixed Rate fully amortizing 10, 15, 20, 25 and 30 yr terms (
 - LTV/CLTV must not exceed 80%
 - Freddie Mac
 - Fixed Rate fully amortizing 15, 20 and 30 yr terms only
 - Open Access - Fixed Rate fully amortizing 15, 20 and 30 yr terms
 - LTV /TLTV must not exceed 80%
 - Non-Agency
 - Refer to LenderLive Non-Agency Product Profiles and Non-Agency Program Eligibility and Underwriting Guidelines for eligibility
- **Ineligible Product**
 - Products not listed under Eligible Products above
 - Government loans including FHA, VA and USDA
 - Fannie Mae High Balance
 - Freddie Mac Super Conforming, ARMs and Alt 97
 - A loan with a balloon feature
 - Any mortgage with an assumability or convertibility feature
 - Community Lending Programs
 - Construction financing, including construction to permanent loan modification transactions
 - Contract for Deed
 - Interest Only **Feature**
 - Lease/Rent with Option to Buy
- **Ineligible Loan Characteristics**
 - Loan with a prepayment penalty
 - Loan with temporary Buydown
 - Loan with escrow holdback
 - Special purpose Cash Out refinance Mortgage (equity buyout) for Freddie Mac products; as defined by Freddie Mac
 - Energy Efficient Mortgages
 - ~~Title held as Tenants In Common~~
 - Title held as Tenants by the entirety by unmarried borrowers
 - Loans pursuant to Texas House Bill 637, which authorize loans to natural or adoptive parents, conservators, or guardians of a minor or ward on homestead property where the minor or ward has an ownership interest
 - These transactions require court approval and extensive court oversight and are therefore ineligible
 - Any additional real or personal property included as collateral for the loan

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AUS and Underwriting Method

- AUS Decisions
 - Neither DU nor LPA contain specific eligibility rules to determine eligibility in accordance with Agency Guidelines or the Texas Constitution
 - Although DU and LPA may issue 'Approve/Eligible' or 'Accept' recommendations, respectively, loans may not meet Agency or Texas Constitution requirements
 - Correspondent must determine whether mortgages are eligible per Agency guidelines and meet the requirements of the Texas Constitution
 - Fannie Mae Loan Programs
 - DU findings must receive an 'Approve/Eligible' recommendation
 - Special Feature Code 304 is always applied to identify TX 50(a)(6) loans
 - If it is determined that a mortgage secured by a homestead property is classified as a Cash Out refinance per Fannie Selling Guide but is not subject to Article XVI, Section 50(a)(6), of the Texas Constitution (i.e., is not a Texas Section 50(a)(6) mortgage), then the mortgage should be delivered as a standard (non-Texas Section 50(a)(6) mortgage) Cash Out refinance transaction but should not be identified with SFC 304 (See Fannie Mae Selling Guide B2-1.2-03, Cash-Out Refinance Transactions)
 - Special Feature Code 007 should also be used to identify the loan as Limited Cash Out if the borrower is NOT receiving any cash back from the transaction
 - Special Feature Code 003 should be also used if the transaction results in actual 'Cash Out' to borrower
 - An 'Expanded Approval/Eligible' or 'Ineligible' loan, is ineligible
 - Freddie Mac Loan Programs
 - LP loan must receive an 'Accept' recommendation and be eligible for sale to Freddie Mac
- Manual underwriting is **NOT** permitted

Loan to Value Ratios & Subordinate Financing

- Loans may not exceed 80% LTV/CLTV/TLTV - Refer to below grid and foot notes for details
- Subordinate Financing
 - New subordinate financing is **NOT** permitted
 - HELOC subordinate financing is **NOT** permitted
 - Subordinate financing is only permitted if a pre-existing closed-end second mortgage that is **NOT** a Texas Section 50(a)(6) loan is subordinate to the new Texas Section 50(a)(6) loan first mortgage
 - An existing Texas Section 50(a)(6) second mortgage may **NOT** be re-subordinated to a new Texas Section 50(a)(6) first mortgage
 - It must be paid off
 - Only one Texas Section 50(a)(6) loan may be secured by the property at any time
- Texas 50(a)(6) transactions require a subordination agreement in all cases. In lieu of obtaining a subordination agreement, a recorded Renewal and Extension exhibit may be recorded on non-(a)(6) transactions, when allowed by Applicable Law

Agency	AUS	Maximum LTV	Maximum CLTV/TLTV	Maximum HCLTV/HTLTV
Fannie Mae	Desktop Underwriter (DU)	80%	80%	N/A*
Freddie Mac ¹	Loan Product Advisor (LPA)	80%	80%	N/A*

*HELOC subordinate financing is not permitted, therefore HCLTV /HTLTV is not applicable

¹Maximum 80% LTV/TLTV must be lower, if necessary, to comply with the provisions of Freddie Mac AllRegs Sections 23.4 and 24.5 for No Cash Out and Cash Out, as applicable

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Refinance Requirements	<ul style="list-style-type: none"> • Limited Cash Out (Rate & Term/No Cash Out) Refinance <ul style="list-style-type: none"> ▪ A loan is a Limited Cash-Out (Rate & Term/No Cash Out) Refi if the first mortgage being paid off is a Texas Section 50(a)(6) loan and the borrower is not receiving any cash back from the transaction ▪ Closing costs and prepaid items may be included in the loan amount, but the total amount that may be charged is subject to limits imposed by the Texas regulations ▪ Closing Disclosure (CD) required from any transaction within past 6 months ▪ Continuity of Obligation, as defined by Fannie Mae, must be demonstrated for Fannie Mae loans ▪ The only cash proceeds the borrower may receive are limited to: <ul style="list-style-type: none"> ○ A refund of a previously paid fee, or ○ Existing escrow monies in excess of any amount needed to fund any new escrow account • Cash Out Refinance <ul style="list-style-type: none"> ▪ One borrower must have held title to the subject property at least 6 months, measured from the previous note date to the new application date ▪ Continuity of Obligation, as defined by Fannie Mae, must be demonstrated for Fannie Mae loans ▪ Loan proceeds can be used to pay off secured debt or unsecured debt, except NO unsecured correspondent Seller or correspondent Seller affiliated debt may be paid off at closing • Use of Proceeds and Payoff of Debts <ul style="list-style-type: none"> ▪ If the payoff of debts to other lenders/creditors is required in order to qualify the borrower, then those payoffs must be shown on the CD and disbursed directly to the creditor by the title company ▪ Debts that are elected to be paid off by the borrower, but are not required to be paid off in order to qualify the borrower, may be disbursed directly to the borrower ▪ A loan used for consolidating debt must be originated as an 50(a)(6) loan even if the proceeds at closing are paid directly to the creditors and the borrower personally receives no cash from the transaction ▪ The payoff of purchase money loan or a previous no cash-out refinance ▪ Payment of non-delinquent liens for property taxes on the subject property securing the new loan ▪ Proceeds from a Texas 50(a)(6) mortgage must not be used to acquire or improve the homestead if a mortgage for that purpose could have been made under a different provision of the Texas Constitution
Principal Reductions (Curtailments)	<ul style="list-style-type: none"> • Principal reductions permitted in accordance with applicable Agency guidelines

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Specific Forms, Disclosures and Documents

- All loans must contain the following fully and accurately completed forms and documents:
 - Texas Home Equity Discount Point Acknowledgment, if applicable
 - Notice of Right to Cancel - Each owner of the property and each spouse of an owner must sign
 - Notice Concerning Extension of Credit Defined by Section 50(a)(6) ('12-Day Notice'/'Cooling off Period')(referencing 2% fee cap) - Each owner of the property and each spouse of an owner must sign
 - Texas Home Equity Affidavit and Agreement (Form 3185) - Each owner of the property and each spouse of an owner must sign
 - Acknowledgment of Fair Market Value of Homestead Property - Borrower and Lender must sign at closing with an appraisal attached to the Acknowledgment
 - Premium Pricing Disclosure
 - Texas Home Equity Note (Form 3244.1)
 - Texas Home Equity Security Instrument (Form 3044.1)
 - **Texas Home Equity Affidavit and Agreement (Form 3185)**
 - Texas Home Equity Condo Rider, if applicable (Form 3140.44)
 - Texas Home Equity PUD Rider, if applicable (Form 3150.44)
 - Texas Home Equity Fixed/Adjustable-Rate Rider - WSJ One-Year LIBOR (form 3187.44), if applicable
 - Title policy on form T-2, T-19, T-42 and T-42.1 endorsements. T-17 is required if property is in a PUD
 - Detailed closing instruction letter acknowledged by title company – Compliance Requirements for Texas Home Equity Loans
 - Note for any re-subordinating second (cannot be an (a)(6) Note, a new loan or a HELOC) with subordination agreement
 - Borrower provided signed/dated Cash Out purpose letter, if applicable
 - Texas Home Equity Acknowledgement of Receipt of Loan Closing Document Copies or proof of receipt by borrower(s) - See Copies of Documents requirements below
 - **Owner's affidavit acknowledging lender's compliance with constitutional requirements for rate/term refinance (Rate/Term Refinance Section 50(f)(2) loan only)**
- Copies of Documents
 - Lender, closing agent or attorney must provide the owner(s) with copies of all documents signed by them at closing in connection with the extension of credit
 - Documents may not contain blank spaces
- Refer to LenderLive Loan File Checklist for complete list of required documentation

Closing and Closing Date Requirements

- Originating lender must provide the title company with a detailed closing instruction letter, and require an acknowledgment of its receipt
 - The closing instructions must require title company to conduct closing in a way that ensures compliance with all applicable provisions of Section 50(a)(6) of the Texas Constitution
- 50(a)(6) Closing Date Requirements
 - A Texas 50(a)(6) loan may not close until all of the following are met:
 - Notice Concerning Extension of Credit Disclosure ('12-Day Notice'/'Cooling off Period') (
 - Per state law, the loan may not close before the 12th day following the later of:
 - The date the owner submitted an application to the lender for an extension of credit ('loan application date'), and
 - The date the lender provided the 12-Day Notice to the owner(s) **and owners spouse**
 - The application must be a loan application, not a request for pre-qualification, or a preliminary determination of the amount of credit for which the borrower is eligible
 - The 12-Day Notice period will start from the later of:
 - The date the borrower submits an application, and
 - The date the 12-Day Notice is provided to the owner(s) **and owners spouse**
 - If the lender mails the disclosure to the owner(s), the date the disclosure is provided may be calculated by adding three calendar days, not including Sundays and federal legal public holidays, to the date the disclosure was mailed
 - Advance One-Day Notice
 - The borrowers must be provided a complete and accurate copy of the final CD and final loan application no later than one (1) business day prior to loan closing
 - There can be no changes in these actual fees, points, interest, etc. (**the administrative code provides some exceptions but case by case**)
 - Any deviation, no matter how slight, will result in the closing being delayed until another One-Day Notice is prepared and delivered to the borrowers
 - The closing can be scheduled for the next business day after delivery to the borrowers of the revised 'One-Day Notice' and the loan application
 - Borrowers must certify to the accuracy of the Closing Disclosure **settlement statement** by signing the Closing Disclosure **settlement statement** or a separate Borrower's Certification of Receipt of Closing Disclosure **Settlement Statement** at closing
 - After the one-year anniversary of the closing of an existing Texas 50(a)(6) loan
 - An 50(a)(6) loan may not be closed sooner than 12 months after the closing of the previous 50(a)(6) loan
 - A new Section 50(a)(6) loan may not be closed before the anniversary of the filing date of the most recent Section 50(a)(6) loan that was secured by the subject property, including any existing Section 50(a)(6) first or second mortgage, as well as any Section 50(a)(6) mortgage that was closed, paid off and released of record within the past twelve months
 - The title commitment must be reviewed to ensure that no Texas Home Equity mortgage was originated within the most recent 12 month period

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First Payment Date	<ul style="list-style-type: none"> • The first payment due date on the mortgage may not be more than 60 days from the Note date (i.e. closes in one month, funds into next month... have to do a short pay) <ul style="list-style-type: none"> ▪ A credit for interim interest may be utilized to comply with this requirement ▪ Credit cannot exceed 7 calendar days
Fee Restrictions	<ul style="list-style-type: none"> • Under Texas law, there is a 2% 3% fee restriction on closing costs that can be charged to a borrower in order to obtain a Texas Section 50(a)(6) loan • Included in this calculation are all closing costs, paid directly or indirectly by the borrower: <ul style="list-style-type: none"> ▪ Fees must be reasonable and not paid to an employee of the Lender or Correspondent ▪ All fees paid for by the borrowers which include: <ul style="list-style-type: none"> – Fees paid outside of closing (appraisal, credit, etc.) – Fees related to the maintenance of the loans (i.e., tax service fee, etc.) – Fees paid to third parties (title fees, excluding title policy with endorsements specific to the property), and fees paid to lender – Lender credits to the borrower for the interest rate chosen may be applied towards the closing costs included in the 2% calculation – A CD addendum will be required to itemize the closing costs to which the credit is being applied • Exclude from 2% 3% limitation: <ul style="list-style-type: none"> ▪ Reserves for escrow accounts and annual amounts ▪ Lender paid compensation to the broker ▪ Prepaid Interest ▪ Discount points collected to buy down the interest rate ▪ Title policy and specific endorsements ▪ Appraisal (third party appraiser) ▪ Survey (registered) • Delinquent property taxes cannot be paid from proceeds (not sure why.. specific rules for tax liens but shouldn't but don't think HE loan proceeds applies) • If closing costs are greater than 2% 3%, fees must be reduced prior to closing <ul style="list-style-type: none"> ▪ Refunds to the borrower are not permitted ▪ A lender credit at closing is permitted
Seasoning Requirements	<ul style="list-style-type: none"> • An (a)(6) loan may not be closed sooner than 12 months after the closing of the previous (a)(6) loan • Loan application may not be executed by borrower(s) until all applicable seasoning requirements have been met • The execution date of the Public Trustee's Deed or Special Warranty Deed will be used to determine the foreclosure date for any applicable seasoning requirement • No seasoning requirement for any first or second mortgages that are not 50(a)(6) loans

Texas Section 50(a)(6) Refinance Eligibility Matrix and Summary Guidelines

Title	<ul style="list-style-type: none"> • A new title insurance policy must be obtained for every loan and must adhere to the following requirements: <ul style="list-style-type: none"> ▪ The borrower or the borrower's spouse must hold legal title to the property <ul style="list-style-type: none"> ○ No third party may hold a title interest in the mortgaged property ○ Attorney's opinion of title (certificate of title) is not acceptable ▪ Title insurance coverage must be the T-2 Mortgagee Policy of Title Insurance and include both of the following endorsements, which must also expressly show on the CD: <ul style="list-style-type: none"> ○ T-42 Equity Loan Mortgage Endorsement ○ T-42.1 Supplemental Coverage Equity Loan Mortgage Endorsement <ul style="list-style-type: none"> – In order to obtain these endorsements, the loan must close at the office of the title company that will be issuing the title policy, or an attorney acting as a representative of the title company (insured closing letter is required) – Closings handled via mail or by notaries public are not permitted – Paragraph 1(a) of the Supplemental Coverage Equity Loan Mortgage Endorsement must be part of the coverage, which means that the loan must be closed at an office of the title company issuing the policy ○ T-19 Restrictions, Encroachments, Mineral Endorsement ○ T-17 required if property is in a PUD ▪ There may be no exceptions to, exclusions or deletions from the coverage ▪ If the prior T-2 was issued within the last 7 years, verify that the title company charges the lower reissue rate for the T-2 • 50(a)(6) Right to Rescind In addition to the federal right to rescind that may apply under Regulation Z, all 50(a)(6) loans are subject to a three-day right to rescind under Texas law <ul style="list-style-type: none"> ▪ The Texas right to rescind requires signatures by all spouses, even if the spouse is not on the title; and the right cannot be waived • Conveyed Property: Any consumer initiated conveyances of the property adding new owners must be completed at least 12 days before closing and the new owners must receive the 'Notice Concerning Extensions of Credit' at least 12 days before closing • Deed Restrictions <ul style="list-style-type: none"> ▪ <u>Properties subject to affordability related deed restrictions are ineligible</u> Age related restriction as are permitted
Survey Requirements	<ul style="list-style-type: none"> • New survey is required on all loans <ul style="list-style-type: none"> ▪ A new survey/ILR/ILC is not required on a transaction if a previous copy is provided by title and the borrower signs a T-47 Residential Real Property Affidavit verifying the use of the existing survey ▪ 'Survey Deletion Endorsement' (also known as 'area and boundaries coverage') must be added, which will cover title defects due to: <ul style="list-style-type: none"> – Surveyor errors in locating boundary lines or improvements – Fences or other improvements not located on the boundary line – Improvements encroaching onto an easement or protrude over a building setback line – Improvements owned by an adjoining landowner that encroach onto the insured property • Survey must: <ul style="list-style-type: none"> ▪ Provide a legal description of the property to be covered by the mortgage; and ▪ Exclude any rental use improvements or any other non-homestead use property • If the borrower or co-borrower owns any adjacent land, a survey must be provided that shows the homestead property is a separate parcel that does not exceed the acreage permitted under the Texas Constitution <ul style="list-style-type: none"> ▪ Survey must support that <ul style="list-style-type: none"> – The homestead property and any adjacent land are separate parcels, and – The homestead property is a separately platted and subdivided lot for which full ingress and egress is available