



Texas Rate/Term Refinances 50(a)(4)

Texas rate/term refinance- A rate/term refinance is considered exempt from the Section 50(a)(6) provisions by the State of Texas. Transactions must meet the following requirements:

- The mortgage amount is limited to the sum of the unpaid balance of the existing first mortgage, closing costs, points, pre-paid items, and if applicable, the amount required to satisfy certain subordinate lien(s) which were used for the original purchase of the home. Other costs such as late fees, past due amounts may not be paid with the new loan proceeds.
- If the proceeds from the refinance are paying off a subordinate lien, including HELOC's, the borrower must provide a copy of the Closing Disclosure from the purchase to evidence the proceeds of the purchase-money transaction were used entirely for the acquisition of the subject property.
- Property tax liens on the subject property which are not delinquent
- Equity Buy-out (DU only): Refer to Buyout of an Owners Interest
- HOA dues must be paid off if required by the title company. If not required by the title company, the borrower must pay any HOA dues outside fo closing and the dues must not be included in the loan amount.
- When a prepayment penalty is included in the payoff amount on an existing non-(a)(6) loan, the new loan must be considered a rate/term so long as the title company agrees and issues a new title policy for the full loan amount as well as the prepayment penalty fees.
- For primary residences, incidental cash back to the borrower at closing is not permitted, including incidental cash back as a result of POC fees being refunded to the borrower. The cash to borrower at closing must be "zero". The amount of cash back to the borrower may be reduced to zero by applying a principal reduction.
- The borrower must provide a copy of the CD from the purchase of the subject to evidence the proceeds of the purchase-money transaction were used entirely for the acquisition of the subject property and the borrower received no cash back from that transaction. If the file contains **CLEAR** evidence of this thru other documentation, the CD requirement can be waived.

Renewal and Extension- A renewal and extension exhibit/rider may be used in lieu of a subordination agreement on a Texas Rate/Term refinance subject to the following requirements:

- The existing 1st lien is not subject to the Texas Constitution Article XVI, Section 50(a)(6) equity line criteria.
- The property is a primary residence and contains no more than one dwelling unit.
- The prior mortgage and subordinate deeds of trust encumber only the subject property (i.e. no additional real or personal property other than the homestead).
- The original deed of trust being refinanced was recorded prior to the subordinate deed of trust.
- At least one borrower on the subordinate lien must be on the first lien note.
- The renewal and extension exhibit/rider must be recorded with the security instrument

Subordinate liens- Subordinate liens must meet all rate/term refinance guidelines if the lien is to be paid off with the proceeds from the new loan, as well as, meet the following restrictions:

- Closing Disclosure evidencing all funds were used to purchase the subject property.
- The title commitment must not reflect the loan was originated as a Texas (a)(6) loan.
- The borrower must not have received any incidental cash back from the subordinate financing. If any cash was received, the loan is subject to (a)(6) cash-out guidelines and is ineligible as a rate/term refinance.
- Refer to the sections below for requirements on transactions when the subordinate lien does not meet the above parameters.

Texas Cash Out 50(a)(6) Refinance

A Texas Cash-out (a)(6) loan is a Conventional Conforming Fixed Rate loan originated under the Texas Constitution, Article XVI Section 50 (a)(6).

- The property must be a 1-unit Primary Residence
- The maximum LTV for a Texas (a)(6) cash-out refinance is 80%
- The total of all lender fees may not exceed 2% of the loan amount.
- If there is an existing non-(a)(6) second lien, the second mortgage must be subordinated to the new (a)(6) mortgage and must not exceed 80% CLTV.
- New subordinate financing is not permitted
- An appraisal with interior and exterior inspection is required, regardless of AUS findings (no PIW).
- Borrowers must be individuals (no trusts) and must have a valid Social Security number (TIN not acceptable)

- Ineligible borrowers include- Foreign nationals or borrowers with diplomatic immunity, co-signors and guarantors.
- Only parties that appear on title can be on the Note (including non-titled spouses). All owners of the property including the owner's spouse/common-law spouse must be ascertained.
- 12 months seasoning is required (note date of current lien to note date of new lien)
- There can only be one (a)(6) loan secured by the property at one time.
- All transactions require a valid survey to determine the homestead property is a separately platted and subdivided lot for which full ingress and egress is available, as well as identifying that the homestead property and any adjacent land are separate parcels.
- If the pay-off of debts to lenders/creditors is **required in order to qualify** the borrower, those payoffs must be closed and disbursed directly to the creditor by the title company. Debts that are **elected** for payoff **by the borrower** may be disbursed directly to the borrower.
- The **Notice concerning extension of Credit** (12-day notice) must be signed by the borrower no later than the third business day after receipt of the loan application and at least 12 days before the loan is closed. This must be signed by any/all persons on title, and always by the spouse, even when the spouse is not on title.
- Ineligible- Gifts, Leaseholds, Land Contracts, Non-Occupant Co Borrowers
- Minimum Credit Score- 660
- No POA's allowed
- Max 10 Acres
- Condos ineligible
- No Interest Credit transactions

**Texas 50(f)(2)
Refinance of An
Existing Texas
50(a)(6) Transaction**

A Texas 50(f)(2) is the refinance of a loan that had a prior 50(a)(6) Texas Home Equity. All of the following must be met:

- The mortgage amount is limited to the sum of the unpaid balance of the existing first mortgage, closing costs, points, pre-paid items, and if applicable, the amount required to satisfy certain subordinate lien(s) which were used for the original purchase of the home (other costs such as late fees, past-due amounts may not be paid with the new loan proceeds)
- At least one year has elapsed since the Texas Home Equity loan was closed (measured from the recording date of the current (a)(6) loan to the new (f)(2) note date), **AND**
- The file contains documentation to evidence there have been no advances/draws on any lien being paid off in the past twelve (12) months, **AND**
- The LTV does not exceed 80% based on the property's appraised value.
- A full appraisal is required (no PIW)
- The borrower is not allowed to receive ANY incidental cash back to the borrower (not even one penny). If the CD will result in cash to borrower, a principal reduction would be required.
- The **Notice of Refinance of a Texas Home Equity Loan** (12 Day Notice) must be signed by the borrower no later than the third business day after receipt of the loan application and at least 12 days before the loan is closed. This must be signed by any/all persons on title, and always by the spouse, even when the spouse is not on title.