

Texas Refinance Snapshot

As of 01.10.2023

Texas 50(a)(6) Eligibility Matrix

Transactions	Occupancy	Units	Max Loan Amount	LTV	CLTV	Credit Score
Cash-out Refinance or Limited Cash-out Refinance	Primary Residence	1	FHFA Conforming Loan Limits	80%	80%	660
<ul style="list-style-type: none"> High Balance not permitted. Ineligible Programs: Fannie Mae HomeReady, Fannie Mae HomeStyle, Freddie Mac, Construction-to-Permanent, Jumbo, FHA, VA, and USDA 						

Texas 50(a)(6) Program Summary & Overlays

The following is an overview of core guidelines and overlays.

Topic	Description	
Products & Terms	Terms	Fixed Rate Product
	360	TX 50(a)(6) Conf Fixed 30
	300	TX 50(a)(6) Conf Fixed 25
	240	TX 50(a)(6) Conf Fixed 20
	180	TX 50(a)(6) Conf Fixed 15
	120	TX 50(a)(6) Conf Fixed 10
	<ul style="list-style-type: none"> Temporary Buydowns not permitted. Interest Credit Transactions not permitted. 	
ARMs	Currently not offered.	
Underwriting Method	All loans must receive an 'Approve/Eligible' recommendation through DU/DO. LPA not permitted. Manual underwriting not permitted. Guaranty Home Mortgage Corporation reserves the right to make the final underwriting decision regardless of DU/DO finding.	
Borrower Eligibility	All Parties <ul style="list-style-type: none"> Power of Attorney not permitted Trusts not permitted All borrowers must meet the applicable Fannie Mae Selling Guide Part B2-2 Non-Married Parties <ul style="list-style-type: none"> All borrowers must be on title All borrowers must execute the Note and security instrument 	Married Parties <ul style="list-style-type: none"> Non-borrowing spouse allowed, subject to <ul style="list-style-type: none"> Executing the security instrument, affidavit and 12-day notice Executing any other disclosures, notices, and documents required by Agency guidelines or applicable law If the non-borrowing spouse is on title, he or she will also be required to sign the acknowledgement of fair market value, notice of right to cancel, and copies to owner Follow applicable Agency requirements and applicable law for credit report requirements for non-borrowing spouses
Ineligible Borrowers	<ul style="list-style-type: none"> Foreign Nationals Borrowers with diplomatic immunity Non-Occupant coborrower 	<ul style="list-style-type: none"> Co-signors Guarantors Borrowers without a valid Social Security Number (TIN not acceptable).



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Texas 50(a)(6) Program Summary & Overlays

Maximum DTI Ratio	As determined by DU/DO	
Current Mortgage Type	<ul style="list-style-type: none"> Review title work to determine if the current first or subordinate mortgage was a Texas Home Equity or TX 50(a)(6). Underwriter may also review the Deed of Trust or the Closing Disclosure from the closing on the current mortgage to be paid off. If there is a junior lien that is a Texas Home Equity loan and it will be re-subordinated, the new first mortgage may not be approved as a TX 50(a)(6). May only have one TX 50(a)(6). 	
Eligible Properties	<ul style="list-style-type: none"> Single Family attached/detached PUDS Urban Homesteads ≤ 10 acres Homesteads may have agricultural exemption as evidenced on the tax certificate and/or title work 	
Ineligible Properties	<ul style="list-style-type: none"> Properties located outside of Texas Condominiums Geodesic Domes Leaseholds Manufactured/mobile homes Properties subject to litigation Properties > 10 acres Land contracts 	<ul style="list-style-type: none"> 2 to 4 unit attached/detached Cooperatives Properties with a condition rating of C5/C6 Properties with a quality rating of Q5/Q6 Timeshares Unimproved land Working farms and ranches
Secondary Financing	<ul style="list-style-type: none"> New subordinate financing is not permitted Existing second liens may be re-subordinated <ul style="list-style-type: none"> Maximum LTV/CLTV is 80% Subordination agreement required <ul style="list-style-type: none"> Texas renewal and extension rider not allowed on Texas (a)(6) loans Re-subordinating second liens may not be HELOCs Subordinated second liens may not be existing 50(a)(6) loans A copy of the existing security instrument for the second is required to verify that the existing second lien is not Texas (a)(6) 	
Seasoning	12 months seasoning is required (note date of current lien to note date of new lien).	
Refinance to Cure	If the new loan is a TX 50(a)(6) originated to cure a failure in the original mortgage to comply with Texas 50(a)(6), then the Texas law requirement that at least 12 months have passed since any previous section 50(a)(6) mortgage secured by the property was closed does not apply.	
Loan Purpose	<p>The information in this section is for informational purposes only and not the definitive source for determining TX 50(a)(6) applicability. Must consult with designated Texas attorney for final legal opinion of TX 50(a)(6) applicability for every Texas refinance transaction.</p> <p>The Texas Constitution's definition of cash-out varies from standard Fannie Mae definitions of cash-out. Both definitions must be considered when determining eligibility and the more restrictive requirements apply.</p> <ul style="list-style-type: none"> The following transactions are TX 50(a)(6) transactions and are subject to the requirements of this matrix: <ul style="list-style-type: none"> Paying off an existing TX 50(a)(6) mortgage (first or second) and not converting to a TX 50(a)(4) mortgage, even if the borrower receives no cash back from this transaction. Paying off federal tax liens. Paying off property tax liens. Paying off any other debts not secured by the homestead. Transactions where the borrower receives any cash back. The following transactions are generally not TX 50(a)(6) transactions and should be originated under standard conventional guidelines: <ul style="list-style-type: none"> Using proceeds to pay current property taxes Using proceeds to buy out equity pursuant to a court order or legal agreement Using proceeds 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 Paying off any existing first mortgage that is not a TX 50(a)(6) loan, there is no existing 2nd mortgage, and the 	



	<ul style="list-style-type: none"> ○ borrower receives no cash back ○ Paying off an existing purchase money first mortgage that is not a TX 50(a)(6) loan, there is an existing purchase money second mortgage that is not a HELOC/TX 50(a)(6) (may be subordinated or paid off), and the borrower receives no cash back ○ Paying off an existing qualified home improvement first mortgage that is not a TX 50(a)(6) loan, there is an existing second mortgage that is not a HELOC/TX 50(a)(6) (may be subordinated or paid off), and the borrower receives no cash back • Total proceeds from a Texas Section 50(a)(6) cash-out refinance transaction may not be used to improve the homestead property if a mortgage for that purpose could have been otherwise classified as an (a)(5) home improvement loan under the provisions of the Texas constitution. • 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
Conversion from Texas Cash-Out Refinance	<p>Refinance of loans currently classified as a Home Equity Loan, TX 50(a)(6), may be eligible to convert to TX50(a)(4) rules if they meet the new requirements</p> <p>Requirements to Convert</p> <ul style="list-style-type: none"> • The application was taken after 1/1/2018 and the application indicates the conversion. • The new loan may qualify under Fannie Mae, Freddie Mac, FHA, or VA financing. • The lender has provided the owner an acceptable written notice pursuant to subsection (f)(2) of Article XVI, Section 50 of the Texas Constitution within 3 days of application and at least 12 days prior to closing. This disclosure must meet requirements of Texas Constitution Article XVI, Section 50(g) 7 TAC 153.51. • The refinance closes after the first anniversary of the current home equity loan. • No additional funds are advanced other than what was required to extinguish current mortgage and actual costs and reserves required for the refinance. • The principal balance of the new loan plus any other valid encumbrances of record against the homestead does not exceed 80% of the fair market value. • An affidavit by the owner or the owner's spouse acknowledging that the Section 50(f)(2) requirements have been met conclusively establishes that the Section 50(a)(4) rate/term refinance requirements have been met. • Paying off subordinate liens are still subject to the agency's requirements to be classified as cash-out, limited cash-out, or no cash-out.
Asset Requirements and Documentation	<ul style="list-style-type: none"> • Document funds to close and reserves per the DU/DO findings. • Gift funds are ineligible
Appraisals	<p>A new, full appraisal on an applicable Agency form with both exterior and interior inspection is required, regardless of DU/DO recommendation.</p> <ul style="list-style-type: none"> • The homestead property 'fair market value' must be based on an appraisal or an evaluation that is prepared 'in accordance with a state or federal requirement applicable to the extension of credit'. • The appraisal must be attached to a written borrower acknowledgment that the 'fair market value' was based on an appraisal prepared 'in accordance with a state or federal requirement applicable to the extension of credit'. • The appraisal for the property and acknowledgement of fair market value must not include any property other than the homestead.
Survey	<p>Required on all transactions must demonstrate that:</p> <ul style="list-style-type: none"> ○ Homestead property and any adjacent land are separate parcels, and ○ Homestead property is separately platted and subdivided lot for which full ingress and egress is available.
Escrow/ Impound Accounts	<ul style="list-style-type: none"> • Escrow accounts will be established for all loans. • Partial or full escrow account waiver may be permitted if: <ul style="list-style-type: none"> ○ DU/DO "Approve/eligible" ○ Real estate taxes must be current at application (less than 60-days past due) ○ Flood insurance not required • It is not a "High-Priced Mortgage Loan" (HPML)
Escrow Holdback	Not Permitted
Verification of Housing Payments	Housing payment history must be verified as required by DU/DO and the Fannie Mae Selling Guide. If the source of verification for a borrower's housing payment is not an institutional lender or a professional management company, but rather a private mortgage provide, canceled checks for the required verification period must be obtained. In this case, a verification of mortgage or credit supplement would not be sufficient.



Title Restrictions	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.
Notice Concerning Extension of Credit	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.
Fee Restrictions	<p>The less of the 2% fee restriction in accordance with Texas Applicable Law, or any Fannie Mae Selling Guide or regulatory compliance requirements that may apply.</p> <p>The following borrower paid fees are not included in the 2% limit calculation</p> <ul style="list-style-type: none"> • Third-party appraisal fees • Bona fide discount points • Hazard insurance • Flood insurance • Property taxes • Per diem interest • Late charges • HOA maintenance fees • Post default attorney fees • Survey fees performed by state registered or licensed surveyor • Base premium for title insurance premiums with endorsements established in accordance with state law • Title examination report fees when cost is less than the state base premium or a mortgagee policy of title insurance without endorsements
High Cost and High-Priced loans	'High Cost' loans not permitted. Loans defined as a 'Higher-priced Mortgage Loan' or "Higher-priced Covered Transaction" under Regulation Z may be eligible on a case-by-case basis and additional restrictions apply.
Guaranty Home Mortgage Financed	Guaranty Home Mortgage will finance no more than four mortgages to the same borrower.
<p>For additional Fannie Mae Home Ready Guidelines: Fannie Mae Selling Guide GHMC Overlays to guidelines are indicated with blue font</p>	



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 of 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 through 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.



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.
- 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.



Updates		
All new updates will be in RED font.		
Section	Date	Update
Max Loan Amount	01.10.2023	Updated: <ul style="list-style-type: none"> Max Loan Amount set to FHFA Conforming Loan Limit

