



BULLETIN

TO: Our Valued Clients

Date: February 23, 2018

SUBJECT: **TEXAS 50(a)(6) The Home Equity Loan Amendment**

BULLETIN: 18-05

***** IMPORTANT NOTICE *****

In November, 2017, voters approved Texas ballot Proposition 2, the Home Equity Loan Amendment relating to Section 50(a)(6) loans. The amendment applies to all home equity loans, including home equity lines of credit ("HELOC"), closed in Texas on or after January 1, 2018.

An outline of Texas 50(a)(6) changes are summarized below.

Refinancing a current 50 (a)(6) Home Equity Loan into a Rate/Term refinance 50(f)(2)

Refinance of Home Equity Loan to Rate Term Non-Home Equity Loan - removal of the "once an A6 always an A6" provision.

- The changes allow for the option to refinance a TX 50(a)(6) home equity loan into a rate and term refinance (non-home-equity loan) TX 50(a)(4) when **all** of the following requirements are met:
 - ✓ The refinanced loan is closed (documents signed) at least a year after the original home equity loan was closed (documents signed); (copy of original note and security instrument may be required)
 - ✓ The new loan can only be used to cover the costs to refinance and cannot provide any additional funds to the borrower;
 - ✓ The new loan amount when added to the total of all outstanding balances cannot exceed 80% of the fair market value of the house;
 - ✓ The borrower must be provided and show proof of receipt of the new "Notice Concerning Refinance of Existing Home Equity Loan to Non-Home Equity Loan" disclosure **within 3 days of application and at least 12 days** prior to the closing date of the new refinance. **This is a NEW disclosure and is distinctly different from the Texas (50)(a)(6) 12 day disclosure.**

Towne Mortgage cannot close a loan with an application dated in 2017 that converted from a Texas Home Equity loan to a Rate/Term non-home equity loan as the requirements of the new provisions are not effective until 1/1/2018. Any such loans in process must be withdrawn and re-originated under a new loan number.

Refinance into a new Texas 50(a)(6) Loan

- An amended "Notice Concerning Extensions of Credit" 12 day disclosure is now in effect and must be used. If an application is dated in 2017, but does not close until 2018, then the amended 12 day disclosure must be provided to the borrower(s) on or after January 1, 2018 and the loan will be subject to a new 12 day waiting period.
- All Texas 50(a)(6) loans closed (documents signed) on or after January 1, 2018, must use the revised Freddie Mac or Fannie Mae Texas Home Equity Uniform Instruments as applicable, new Texas Home Equity Affidavit and Agreement, and the amended "Notice Concerning Extensions of Credit" 12 day disclosure.

New Fee Cap and Exclusion of Certain Fees

Beginning January 1, 2018, the home equity fee cap is reduced from 3% to 2% of the original principal amount of the loan. The following fees are excluded from the 2% fee calculation:

- An appraisal performed by a third party appraiser (AMC fees are not excluded fee amounts); and
- A property survey performed by a state registered or licensed surveyor; and
- 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.

Both 50(a)(6) AND 50 (f)(2) disclosures will be generated out of Encompass when the following fields are populated

- Property State: Texas
- Loan purpose: No Cash out refinance or cash out refinance
- 1003 page 1: property is borrower's homestead is checked and;
- Continuous Money Loan box is **UNCHECKED**.

You will then pick the appropriate disclosure based on whether the new loan is a Taxes Cash out 50(a)(6) or a Rate/Term Refinance 50(f)(2)

We have updated our Texas Cash out Refinance guidelines to incorporate all changes. Guidelines are attached and posted in our resource center. All refinance loans for properties located in Texas must be reviewed for compliance and are underwritten exclusively by Nick Marsack in our Troy Operations Center.

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