

TEXAS 50 (a)(6) and TEXAS 50 (a)(4)

Program Specifications and Matrix

Appraisals	<p>A new full appraisal with interior/exterior inspection is required, regardless of the appraisal format recommended by DU. The appraisal must be attached to the written acknowledgment of fair value.</p> <p>The survey (or other acceptable evidence) must demonstrate that:</p> <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 are available. <p>Reminders:</p> <ul style="list-style-type: none"> • Property inspections and/or waivers are not permitted • Tax assessed values and exterior-only appraisals are not permitted
Description	<ul style="list-style-type: none"> • A Texas 50(a)(6) loan (home equity/ cash out refinance) is a loan originated in accordance with and secured by a lien permitted under the provisions of Article XVI, Section 50(a)(6) of the Texas Constitution, which allows a borrower to take equity out of a homestead property under certain conditions. • A Texas 50(a)(4) (non-home equity) is a rate and term refinance of an existing Texas home equity (50(a)(6)) loan.
Disclosures - INITIAL	<p>50(a)(6): Loan may not close before the 12th calendar day after the Notice Concerning Extensions of Credit Defined by Section 50(a)(6), Article XVI, Texas Constitution, is provided.</p> <p>50(a)(4): Lender must provide the Notice Concerning Refinance of Existing Home Equity loan to Non-home Equity Loan Under Section 50(f)(2), Article XVI, Texas Constitution not later than the 3rd business day after the loan application is submitted to the lender, and at least 12 days before the refinance is closed.</p> <p>For both, the 12 calendar day period begins the day after the applicable disclosure is received. For disclosures not provided and signed in person, generally the disclosure is considered 'received' 3 business days* after the disclosure was mailed or emailed, unless the signature(s) evidence earlier receipt.</p>
Disclosures - FINAL	<p>Final disclosure waiting period:</p> <p>50(a)(6): Not less than 1 business day* before the closing, the borrower must be given a copy of the final loan application and a final itemized disclosure of the actual charges associated with the loan, including actual points, fees, costs and interest.</p>

*Business day under Texas law is defined as all calendar days except Sunday and these federal legal public holidays: New Year's Day, the birthday of Martin Luther King, Jr., Washington's Birthday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veteran's Day, Thanksgiving Day and Christmas Day.

*Juneteenth has not yet been added to the Texas Constitution as a Federal Holiday

TEXAS 50 (a)(6) and TEXAS 50 (a)(4)

Fees/ Title	<p>Texas 50(a)(6) Loan fees paid by the Borrower may not exceed 2% of the original principal balance of the loan. The following fees are excluded from this 2% cap: Appraisals performed by a third-party appraiser.</p> <ul style="list-style-type: none"> • Per diem Interest • Property survey by a state registered or licensed surveyor; • A state base premium for a mortgage policy of title insurance with endorsements established in accordance with state law, or • If a mortgage title policy is not issued, a title examination report if cost is less than the state base premium for a mortgage title policy without endorsements.for a 50(a)(6) loan. Fannie and Freddie <u>both require</u> a title insurance policy supplemented by an Equity Loan Mortgage Endorsement T-42 and/or T41 • Bona-fide discount points. <p>Important: For Correspondent transactions, Lender paid compensation is not counted towards the cap.</p> <p>Texas 50(a)(4) Loan fees paid by the Borrower may not exceed 3% of the original principal balance of the loan.</p>
FICO	<ul style="list-style-type: none"> • 620 Minimum qualifying credit score for all qualifying borrowers
Eligible Property Types	<ul style="list-style-type: none"> • 1-Unit Primary Residence • Located in the State of Texas • Principal Residence constituting the Borrower’s homestead • Rural Homestead: Maximum 100 acres • Urban Homestead: Maximum 10 acres <p>Note: A borrower that owns adjacent land must submit appropriate evidence, such as a survey, that the mortgaged homestead property is a separate parcel that does not exceed the permissible acreage. Reminder: Property must also meet FNMA guidelines for acreage</p> <ul style="list-style-type: none"> • 1-Unit Primary Residence includes: <ul style="list-style-type: none"> • 1 Unit Stick Built Homes (Attached or Detached), • FHLMC Approved Condominiums, • PUDs (Attached or Detached)
Eligible Terms	<ul style="list-style-type: none"> • HELOC • 15Yr., 20Yr., 25Yr., and 30Yr. with Fully Amortizing Fixed Rate • ARMs not permitted
Eligible Transaction Types	<ul style="list-style-type: none"> • Limited Cash Out Refinance “Non-Home Equity” (50(a)(4)) o Important: Zero cash back allowed

• Note: High Balance Mortgages are permitted; if there is a conflict for any of the requirements, the more restrictive guideline will apply

TEXAS 50 (a)(6) and TEXAS 50 (a)(4)

Ineligible Loan Characteristics	<ul style="list-style-type: none"> • Agricultural exemptions • Non-Occupant Co-Borrowers • Escrow Holdbacks • Energy Efficient Mortgages • Title held as Tenants in Common • Title held as Tenants by the Entirety by unmarried Borrowers • Power of Attorney • HELOC Subordinate Financing • PIWs
Maximum DTI	<ul style="list-style-type: none"> • Determined by DU
Maximum LTV/TLTV/HTLTV	<p>The maximum allowable LTV and CLTV is 80%, notwithstanding any conflicting provisions of FNMA guidelines or any specific DU recommendation or finding.</p> <ul style="list-style-type: none"> • HELOC subordinate financing is not permitted • a 50(a)(6) equity loan cannot be made when an existing reverse mortgage or HELOC will remain secured by the homestead
Refinance Options	<p>Texas 50(a)(6) and Texas 50 (a)(4)</p> <ul style="list-style-type: none"> • No Cash out (rate and term) refinance of an existing 50(a)(6) • Important Notice Concerning Refinancing a Home Equity Loan required • No cash out permitted except for actual closing costs and reserves required to finance the debt (zero dollars back to the borrower, no principal reductions permitted)
Special Feature Codes	<p>All Texas 50(a)(6) loans must be identified with SFC 304. In addition, the following SFC codes are required:</p> <ul style="list-style-type: none"> • SFC 003 cash out refinance classified under Fannie Mae’s policy • SFC 007 limited cash out refinance classified under Fannie Mae’s policy
Time Requirements	<p>An equity or non-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.</p> <p>Section 50(a)(6) and 50(a)(4) prohibits an owner who has obtained an equity loan from:</p> <ul style="list-style-type: none"> • refinancing the equity loan before one year has elapsed since the loan's closing date; or • obtaining a new equity loan on the same homestead property before one year has elapsed since the previous equity loan's closing date, regardless of whether the previous equity loan has been paid in full.

This matrix is not inclusive of all state law requirements. The user is responsible for ensuring loans comply with all applicable requirements under Texas state law and Agency guidelines.

TEXAS 50 (a)(6) and TEXAS 50 (a)(4)

Current Lien	1 st Subject to 50(a)(6)	2 nd Subject to 50(a)(6)	Is 2 nd Subordinated /Paid Off	Cash-Out	Loan Purpose	New Loan Subject to 50(a)(6)	New Loan Subject to 50(a)(6)	Max LTV/CLTV
1st Mortgage	No	N/A	N/A	No	Rate & Term Refi	No	No	Program max
	No	N/A	N/A	Yes	Cash-out Refi	Yes	No	80%
	Yes	N/A	N/A	No	Rate & Term Refi	No	Yes	80%
	Yes	N/A	N/A	Yes	Cash-out Refi	Yes	No	80%
1st Mortgage & Purchase Money 2nd	No	No	Subordinated	No	Rate & Term Refi	No	No	Program max
	No	No	Subordinated	Yes	Cash-out Refi	Yes	No	80%
	No	No	Paid off	No	Rate & Term Refi	No	No	Program max
	No	No	Paid off	Yes	Cash-out Refi	Yes	No	80%
	Yes	No	Subordinated	No	Rate & Term Refi	No	Yes	80%
	Yes	No	Subordinated	Yes	Cash-out Refi	Yes	No	80%
	Yes	No	Paid-off	No	Rate & Term Refi	No	Yes	80%
	Yes	No	Paid-off	Yes	Cash-out Refi	Yes	No	80%
1st Mortgage and Non-Purchase Money 2nd	No	Yes	Subordinated	Not permitted	Rate & Term Refi	No	No	Program max
	No	Yes	Paid-off	No	Cash-out Refi	No	Yes	80%
	No	Yes	Paid-off	Yes	Cash-out Refi	Yes	No	80%
1st Mortgage & Non-50(a)(6) Texas Home Improvement 2nd	No	No	Paid-off	No	Cash-out Refi	No	No	Program max

¹ Loan Purpose is Cash-out Refi per agency requirements (paying off a non-purchase money second) but considered a Rate & Term Refi per Texas 50(a)(4) requirements (paying off a 50(a)(6) second lien and not getting any cash back from the refinance transaction).