

Texas Section 50(a)(6) Loans *(effective 1/2018)*

On November 7, 2017, Texas voters approved amendments to the Texas Constitution affecting home equity lending. The amendments changed a number of provisions regarding Texas Section 50(a)(6) loans, however the impacts to the Selling Guide are minimal. (The Guide requires the lender to comply with the law and does not describe the requirements of the law in detail.) For your convenience, we describe many of the changes to the law in the following table. We also describe the changes to the Guide and other impacts.

Change	Notes
The law lowers the fee limit to two percent from three percent of the original loan amount. However, it expressly excludes a) discount points used to buy down the interest rate, b) appraisal costs, c) survey costs, d) title insurance premiums, or e) a title examination report.	No impact to the <i>Selling Guide</i> . The fee limit is not described in the Guide.
The law repeals the prohibition against Texas Section 50(a)(6) loans on agricultural homesteads.	No impact to the <i>Selling Guide</i> . This prohibition was not described in the Guide.
The list of "authorized lenders" who are approved to make Texas Section 50(a)(6) loans is expanded to include a) subsidiaries of banks, savings and loan associations, savings banks and credit unions, b) mortgage bankers, and c) mortgage companies.	No impact to the <i>Selling Guide</i> . We currently require lenders and servicers to meet the eligibility criteria specified in the Texas Constitution Section 50(a)(6).
A seasoned Texas Section 50(a)(6) loan can be refinanced into a non-Texas Section 50(a)(6) loan if certain conditions are met. (In other words, the "once an A6 always an A6" policy is no longer part of the law).	<p>This required only minor updates to the <i>Selling Guide</i>.</p> <p>For this scenario, a new affidavit that conforms to Section 50(f-1) Article XVI of the Texas Constitution must be prepared and recorded. Third-party vendors are preparing this affidavit, often referred to as the "Four Conditions" affidavit.</p> <p>Note that Special Feature Code (SFC) 304 is not required for these loans as they are not Texas Section 50(a)(6) loans. Lenders must use the standard refinance special features code, as applicable.</p>
An updated <i>Notice Concerning Equity Loan Extension of Credit</i> is required.	The revised Notice must be used beginning January 1, 2018, and once signed, starts the 12 day "cooling off" period prior to closing.
The Fannie Mae/Freddie Mac Uniform <i>Texas Home Equity Security Instrument</i> (Form 3044.1), <i>Texas Home Equity Affidavit and Agreement (First Lien)</i> (Form 3185), and notes will be updated.	<p>The revised Forms (with 1/18 revision date) will be available on the Legal Documents pages of our website by the end of this month.</p> <p>There are no changes to the Texas Section 50(a)(6) riders.</p>
The <i>Equity Loan Mortgage Endorsement</i> (Form T-42) to the title insurance policy will be updated.	The timing of the updated T-42 is currently unknown. The provision in the current T-42 providing title insurance coverage against agricultural loans is no longer required. We have updated the <i>Selling Guide</i> to allow the current form of the T-42 with the agriculture requirement stricken until such time as the T-42 is updated by the Texas Land Title Association.
Minor edits to the <i>Selling Guide</i>	<ul style="list-style-type: none"> • For the sake of simplicity, we have shortened the references to "Texas Section 50(a)(6) mortgage loans" throughout the <i>Selling Guide</i> by removing the word "mortgage." Note that if this is the only change to a topic, we did not update the topic date or list the topic in the Attachment to this Announcement. • The <i>Selling Guide</i> is updated to align with existing procedures in the <i>Servicing Guide</i> with regard to actions the lender or servicer must make if they receive notification from the borrower about non-compliance with the provisions of the law.