



Texas Owner Occupied Refinance Overlay

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1. Texas Owner Occupied Rate/Term

Overview

Refer to the specific Product summary to determine investor and program acceptance.

A rate/term refinance of a primary residence in Texas may only include the following costs:

- Pay off of the old loan plus points
- Prepaid items, such as escrow funds and interest
- Taxes due
- “Necessary and Reasonable” closing costs. The total of all reasonable and necessary closing costs may not exceed 5% of the loan amount. Refer to the following table for eligible costs.

“Necessary and Reasonable” Closing Costs			
Loan Origination	Underwriting	Processing	Commitment
Tax Service	Application	Appraisal	Express Mail
Recording	Survey	Title Insurance Premiums (Lender’s Policy)	Flood Certification
Escrow Waiver	Credit Report	Final Inspection	Closing

Additional requirements:

- Other fees may be financed if necessarily incurred to remove any non-standard exceptions on the title policy.
- The only cash proceeds the borrowers may receive are limited to:
 - A refund of a previously paid application fee, or
 - Existing escrow monies in excess of any amounts needed to fund any new escrow account.

LTV and CLTV limitations: Refer to the applicable Product Summary

A rate and term refinance of a primary residence in Texas under conforming loan program guidelines is subject to the additional requirements noted below:

Eligible use of Proceeds

- Pay off of purchase money loans or a previous no-cash-out refinance.
- Payment of liens for property taxes on the subject property securing the new loan that are not delinquent.
- Loans to buy out equity ("owelty") pursuant to court order or agreement of the parties; usually in a divorce proceeding or a lawsuit requesting partition of the property among the owners.

Ineligible use of Proceeds

- Loans with proceeds to pay off home equity or home improvement loans.
- Payment of Federal tax debt liens.
- Payment of liens for property taxes on the property securing the new loan that are delinquent.
- Loans with any cash back to the borrower, even incidental cash. Guidelines for limited cash out refinances permitting the lesser of 2% of the loan amount or \$2,000 **are not eligible** under the rate/term refinance program in the state of Texas.

Note: Once a loan is a Texas (a)(6), it is always classified as a Texas (a)(6). Therefore, a no cash out refinance of a Texas (a)(6) loan is always considered a cash out refinance under Texas (a)(6) law and must be coded, priced, and underwritten as a cash out transaction.

2. Texas Owner Occupied Cash out refinances – temporarily suspended

Until further notice, cash out on owner occupied homes in Texas is not available

~~Refer to the specific Product summary to determine investor and program acceptance~~

~~This loan product offers Texas residents the ability to refinance their primary residence or "Homestead" with the option of receiving proceeds from the transaction or paying off consumer debt, or both. This includes cash to the borrower in any amount and payments to any other creditors, including debt consolidation.~~

~~All loans must be submitted through DU and receive an Approve/Eligible recommendation.~~

Eligible loans

~~Fully amortizing Conforming Fixed rate loans up to the standard conforming limits are permitted, except for the following, which are prohibited:~~

- ~~Interest only~~
- ~~Prepayment penalty option~~
- ~~Temporary Buydowns~~
- ~~DU Refi Plus transactions~~
- ~~Paying off Land Contracts/Contract for Deeds~~
- ~~FNMA High Balance~~
- ~~FHA and VA loans~~

Maximum LTV/CLTV

- ~~Lesser of 80% LTV/CLTV or as stated in the applicable Program.~~

Maximum Loan Amount

- ~~The maximum loan amount allowed based on the LTV and documentation type.~~

Documentation

- ~~Unless otherwise stipulated, loans must be underwritten in accordance with the applicable program product guidelines.~~
- ~~Full appraisal is required (1004 or 1073 as applicable)~~

Eligible properties / characteristics

- ~~Property must be located in Texas.~~
- ~~Property must be the borrower's homestead.~~
- ~~Single-family residence attached or detached.~~
- ~~Maximum 10 acres.~~
- ~~Property must be residential in nature.~~
- ~~Condominiums~~
- ~~PUDs~~
- ~~Property must be complete. No escrow holdbacks for incomplete improvements.~~
- ~~The property must be located within the boundaries of a municipality or its extraterritorial jurisdiction, or platted separately and subdivided with full ingress and egress. If the property is composed of multiple lots, they must be contiguous.~~
- ~~The property must be served by police protection, paid or volunteer fire protection, and with at least three of the following services provided by a municipality or under contract to a municipality: electric, natural gas, sewer, storm sewer, and/or water.~~

Ineligible properties

- ~~2-4 unit dwellings.~~
- ~~In-law units, granny units, properties with multiple living units.~~
- ~~Condotels.~~
- ~~Commercial properties.~~
- ~~Any other ineligible property outlined in the applicable Program Profile or Underwriting Guidelines.~~
- ~~Properties >10 acres~~
- ~~Properties located in a declining market where the new loan amount exceeds the unpaid balance of the existing loan rounded to the next \$100.~~
- ~~Agricultural zoning or exemptions.¹~~
- ~~Property with any agriculture, farming or commercial use.¹~~
- ~~Properties with the infrastructure to support ranching and/or farming (for example, barns, silos, fencing, etc.) or that are already producing crops or supporting livestock. **Note:** Properties zoned as agricultural that are not used for agricultural purposes may be eligible as long as all other eligibility requirements are met.~~

~~¹ Tax certification for the subject property must be reviewed to ensure property does not have an agricultural exemption. Modifications of exemption from agricultural to homestead are not always in the best interest of the borrower. As a result, borrowers should not be encouraged to change the subject's exemption status from agricultural to homestead. To protect the loan security, files which contain evidence of recent conversion are ineligible.~~

Occupancy

- ~~All borrowers must occupy subject property for the major portion of the year.~~
- ~~Dwelling should be within a reasonable distance to place of employment.~~
- ~~Subject is declared as the borrower's homestead. If borrower owns another property that is secured by a homestead, the homestead must be released from the other property and filed against subject property. Borrower will be expected to sign affidavit at closing certifying subject property is their homestead.~~
- ~~Subject is declared as borrower's primary residence. A copy of the subject property's tax records must be provided to evidence subject is the borrower's primary residence.~~
- ~~Borrower states intention to occupy.~~
- ~~Physical characteristics of dwelling should be sufficient to accommodate the owner's immediate family.~~
- ~~No limit on the number of other financed properties a borrower may own. However, if borrower owns more than one property, an Affidavit of Non-Homestead is required.~~

Eligible Borrowers/Title Vesting

- ~~U.S. Citizens.~~

- Resident Aliens.
- Trusts are not permitted.

Cash Reserves

- Required in accordance with applicable Program guidelines.

Contributions by an Interested Party

- Not permitted
- Funds from the lender are not considered an interested party contribution.

Subordinate Financing

- Maximum 80% CLTV.
- CLTV is calculated using the total of the unpaid balance plus all secured liens divided by the property's value.
- File must contain a copy of the note.
- Repayment terms of the subordinate financing must conform to:
 - No prepay penalties.
 - Regular monthly payments sufficient to cover interest due.
 - If loan is not fully amortizing, it may not have a call option or balloon payment in less than 5 years.
 - Variable rates are permitted within the following guidelines:
 - First is not subject to a temporary buydown.
 - Payment will remain constant for each 12-month period.
 - Interest will not increase more than 1% at each adjustment.
 - No HELOCs.

Mortgage Insurance

- Not applicable.

3% Fee Limitation

- Fees and charges paid by the borrower may not exceed 3% of the loan amount.
- Include in 3% limitation:
 - All fees paid for by the borrower which includes: fees paid outside of closing (appraisal, credit, etc.), fees related to the maintenance of the loans (i.e., tax service fee, etc.), fees paid to third parties (title fees, etc.), and fees paid to lender.
 - Yield spread premium (YSP) when the borrower is also charged discount points.
- Exclude from 3% limitation:
 - Reserves for escrow accounts and odd-day's interest.
 - Discount points paid to lender which are used to lower the interest rate.
 - Yield spread premium when borrower is not paying any discount points.
 - Borrower's fees paid by broker's yield spread premium.

Texas Home Equity Disclosure (AKA 12 day Disclosure)

- A fully-executed Texas Home Equity Disclosure (VMP Form 8032 (TX)) is required on all loans.
- The form must be fully-executed by all parties with an interest in the property, including a non-borrowing spouse.

Other Requirements

- The execution date of the closing documents must be at least 12 calendar days after the date all borrowers and all parties with an interest in the property, including a non-borrowing spouse, have signed the Texas Home Equity Disclosure.
- If borrower owns another property that is secured by a homestead, the homestead must be released from the other property and filed against subject property. Borrower will be expected to sign an affidavit at closing certifying subject property is their homestead.
- The following endorsements must be obtained: Texas Mortgagee's Policy (T-2) with Equity Loan Mortgage Endorsement (T-42), and Supplemental Coverage Equity Loan Mortgage Endorsement (T-42.1).

- ~~Loan must close on a normal business day for the title company or attorney. If the title company or attorney is normally closed on holidays or weekends, the loan may not be closed on any of those days.~~
- ~~Loan must be closed by an attorney or title company. No notary closings. HSOA will review the closing statement to ensure compliance with this requirement.~~
- ~~Loans closing with the use of a Power of Attorney are not eligible.~~
- ~~Loans may not be closed until the borrower has been given at least 1 day advance notice of all final fees. To ensure compliance, the closing statement (HUD-1) with all final fees must be provided to the borrower at least 1 day prior to closing. If any changes to fees are made after the disclosure has been given, the lender must re-disclose and re-open the 1 day waiting period.~~
- ~~All parties with an ownership interest in the property and non-borrowing spouses must sign the loan documents. However, parties who will not be obligated on the loan do not have to sign the note; their consent to the lien will be evidenced by their signature on the deed of trust.~~
- ~~The following Texas Home Equity documents must be signed at closing:

 - ~~Affidavit of Fair Market Value – VMP 8033 (TX). Note: this must be fully completed and signed by the lender prior to the borrower(s) signing the document.~~
 - ~~Texas Equity Security Instrument – FNMA 3044.1; VMP 8046 (TX).~~
 - ~~Texas Equity Condo Rider, if applicable – FNMA 3140.44; VMP8038 (TX).~~
 - ~~Texas Equity PUD Rider, if applicable – FNMA 3150.44; VMP 8037(TX).~~
 - ~~Texas Equity Affidavit and Agreement – FNMA 3185; VMP 8034(TX).~~
 - ~~Acknowledgement of Receipt of a copy of all closing documents.~~~~

Closing Date Requirements

A Texas (a)(6) loan may not close until:

- ~~12 days after all borrowers sign the 12-day notice, whichever is later as evidenced by the signatures and handwritten dates.~~
- ~~One day after the borrowers receive a copy of the Acknowledgement of Receipt of Itemized Disclosures.~~
- ~~After the one-year anniversary of the closing of an existing Texas (a)(6) loan.~~