

10 + TEXAS HOME EQUITY DOCUMENTATION TIPS

By

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Thanks to:

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- 2) My partners, Chris and Bill Peirson, that always cover for me and so graciously correct me when I am wrong. I am seldom wrong, but never in doubt.
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- 5) My clients that stand beside me as I learn from my mistakes.

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EXHIBITS

<u>Exhibit</u>	<u>Description</u>
“A”	Texas Home Equity Summary Points
“B”	Waiver of Certain Terms in Other Loans With Lender
“C”	Texas Home Equity Discount Point Acknowledgement
“D”	City Letter Re Homestead [Ghost Draft]
“E”	Affidavit of Milk Production on Homestead Property
“F”	Affidavit of Lender Relationship
“G”	Acknowledgement Regarding Voluntary Repayment of Existing Debt
“H”	Receipt of Copies
“I”	Notice of Right to Rescind
“J”	Election Not to Rescind
“K”	Affidavit of Reasonable and Necessary Closing Costs For Homestead Property Refinance
“L”	Notice Concerning Extensions of Credit (English Version)
“M”	Notice Concerning Extensions of Credit (Spanish Version)
“N”	Texas Home Equity Application to Closing Time Line
“O”	Texas Home Equity Loan Closing Instructions Addendum
“P”	Peirson & Patterson, L.L.P. – Mortgage Loan Disclosure Matrix
“Q”	Extension of Credit Modification Agreement

10+ TEXAS HOME EQUITY DOCUMENTATION TIPS

I. INTRODUCTION

Shades of Grey After three years with only one Texas Supreme Court case, three trial court decisions¹, and still several pending lawsuits, home equity lenders and their counsel have very few bright lines when considering the many home equity questions. We must acknowledge that if we are to participate at all, the best we can do is to identify and manage some recognized risks. In trying to minimize those risks, many of us in the trenches have developed some very self serving, well-wishing documents. Our firm gladly shares the following thoughts and enclosed forms. [No warranty either express or implied.] These forms are not copyrighted. You are welcome to use them, but don't sue us if you, nevertheless, get in trouble with them. If you recognize them as being "your" forms; thank you for sharing them with us. These forms can be downloaded in either Word 97 or PDF format at <http://www.ppdocs.com> [Rotating "10+ Tx Home Equity Tips"].

In an effort to save a tree or two, the following more voluminous and standard home equity resources have not been included; however, the version of this paper posted on our <http://www.ppdocs.com> website has the following additional resource links embedded below:

- Article 16, Section 50, Article XVI of the Texas Constitution.
<http://www.capitol.state.tx.us/tconst/sections/cn001600-005000.html>
- Office of Consumer Credit Commissioner, et al Regulatory Commentary on Equity Lending Procedures – October 7, 1998.
http://www.occc.state.tx.us/Pubdocs/Cmnt_109.pdf
- Stringer v Cendant Mortgage Corp., 23 S.W. 3d 353 (Tex. 2000).¹
<http://www.supreme.courts.state.tx.us/opinions/991301o.htm>
- Fannie Mae Revised Home Equity Documents.
http://www.fanniemae.com/singlefamily/doingbusiness/mortgagedocs/sf_documents.html
- P&P Disclosure Matrix – Indicating required loan disclosures.
<http://www.ppdocs.com/applicationchart.asp>

In lieu of attaching all the above, I am providing **EXHIBIT A – Texas Home Equity Summary Points** which very, very briefly summarizes some of the home equity provisions. If you want to have something to "rely upon", don't use this. Use the other "more detailed" resources mentioned above. Thanks.

¹ Stringer v. Cendant Mortgage Corp., 23 S.W.3d 353 (Tex. 2000), reh'g overrules (Aug. 24, 2000); McMahan v. Long Beach Mortgage Co., No. SA-98-CA-49106 (W.D. Tex.-San Antonio Division, Sept. 20, 1998); Doody and Carrington v. Ameriquest Mortgage Co., No. 3:98-CV-1844-X (N.D. Tex.-Dallas Division, [1999 U.S. Dist. LEXIS 18203] Nov. 22, 1999); Tarver v. Sebring Capital Credit Corp., No. 98-09-15, 645-CV, 82nd Judicial District, Robertson County District Court (Sept. 11, 2000). Appeals are pending in the Long Beach Mortgage Co. and Ameriquest Mortgage Co. cases. An appeal is expected in the Sebring Capital Credit Corp. case. [Every legal paper needs at least one legal citation. This is a rule somewhere. This is my legal cite. I borrowed it from Mike O'Neal's (Winstead Sechrest & Minick P.C.) 10/24/2000 Texas Home Equity Case Law Update paper. Thanks Mike!]

II. TIPS AND ISSUES

The following “Tips and Issues” are not listed in any order of priority, but more or less according to their order of appearance in the Constitution.

1. **Without Recourse** Section 50(a)(6)(C) allows an extension of credit that:

is without recourse for personal liability against each owner and the spouse of each owner, unless the owner or spouse obtained the extension of credit by actual fraud;

Lenders, especially bankers, are notorious for routinely requiring guaranties from all that will sign them. Guaranties are certainly powerful collection tools. Be careful though. It probably goes without saying that a lender shouldn't require guaranties in a transaction that is mandated to be “without recourse”. I think it is fair to assume that “without recourse” not only applies to the borrower, but also all others, both under this provision and the “no additional collateral” provision (50(a)(6)(H)) of the Constitution. But what about old guaranties or a guaranty to be executed in the future that within its boilerplate provides that the guaranty includes “all past, present, and future indebtedness” of the borrower? Can this cause technical recourse against the home equity borrower causing a forfeiture to the home equity lender? The attached **EXHIBIT B - Waiver of Certain Terms in Other Loans With Lender** can be used to evidence the lender's and home equity borrowers' stipulation that those previously executed guaranties (and also cross default provisions, future indebtedness, etc.) do not apply to the borrowers' home equity loan. We would suggest that your present guaranties be amended to exclude Texas home equity and reverse mortgages, both non-recourse obligations. Perhaps substitute out “all indebtedness” for:

All indebtedness, save and except any extensions of credit as defined by section 50(a)(6) or Section 50(a)(7), Article XVI, of the Texas Constitution which are specifically excluded from the coverage of this guaranty.

2. **3% Cap** Section 50(a)(6)(E) allows an extension of credit that:

does not require the owner or the owner's spouse to pay, in addition to any interest, fees to any person that are necessary to originate, evaluate, maintain, record, insure, or service the extension of credit that exceed, in the aggregate, three percent of the original principal amount of the extension of credit;

Reasonable minds can differ. Much litigation is pending involving this provision. What does “in addition to any interest” mean? Is an origination fee paid by a home equity borrower not a fee necessary to “originate,...”? It may be a federal TILA/Reg Z prepaid finance charge, but how can an “origination fee” not be a fee to “originate” the mortgage. Time will tell.

Discount points are a more difficult issue. A fee called “discount points” that doesn’t buy down an interest rate, that only reflects necessary compensation to the lender may very well (even though a TILA/Reg Z prepaid finance charge) not be excluded from the 3% limitation. Otherwise a lender could classify all fees and charges to the borrower as being “discount points” and the cap would be meaningless. On the other hand, discount points that effectively reduce/buydown the interest may more easily be determined to be “interest” excluded from the 3% limitation. The safest of all options is for a lender to increase its yield through the interest rate. Although the loan is subject to prepayment causing the lender not to realize the planned yield, or worse, recoup all lender paid closing costs, it should be remembered that the home equity loan can not be refinanced for at least one year after its closing.

The attached **EXHIBIT C – Texas Home Equity Discount Point Acknowledgement** can be used to evidence that the lender offered the borrower more than one interest rate and the borrower chose a program that had a lower interest rate with discount points over a higher interest rate with no or fewer discount points. There needs to be a true mathematical relationship between the offered programs and not just an arbitrary offering of an unrealistically high interest rate with no points offered only to justify the discount points options. If sound mathematically, this sort of discount is more likely to be determined, after a close scrutiny, excludable “interest” per the limitation.

3. Additional Collateral Section 50(a)(6)(H) allows an extension of credit that:

Is not secured by any additional real or personal property other than the homestead;

What is a “homestead”? Texas Property Code 41.002(c) now provides:

A homestead is considered to be urban if, at the time the designation is made, the property is:

(1) located within the limits of a municipality or its extraterritorial jurisdiction or a platted subdivision; and

(2) served by police protection, paid or volunteer fire protection, and at least three of the following services provided by a municipality or under contract to a municipality:

- (A) electric;
- (B) natural gas;
- (C) sewer;
- (D) storm sewer; and
- (E) water.

It is uncertain:

- 1) That the Texas Property Code definition will be determinative of the Constitutional definition, and
- 2) Assuming the Texas Property Code definition will be determinative, when a property is “urban” versus “rural”.

To help establish that the Texas Property Code requirements for an urban homestead did not exist at time of loan closing **EXHIBIT D - City Letter Re Homestead** [Ghost Draft] has been created for city officials (of the city closest to the property) to provide to a lender. This is only important in loans with properties in excess of ten (10) acres.

4. **No “Ag” Property Unless For the Production of Milk** Section 50(a)(6)(I) allows an extension of credit that:

is not secured by homestead property designated for agricultural use as provided by statutes governing property tax, unless such homestead property is used primarily for the production of milk;

What if “Ag” on easement to one acre carved out homestead?

Does “Ag” include “timber valuation”?

When can “Ag” exemption be dropped to obtain home equity loan?

What does “primarily for the production of milk” mean?

One milk cow?

We are not necessarily proud of it, but have drafted the attached **EXHIBIT E - Affidavit of Milk Production on Homestead Property** to help evidence the exception to the exception. It wouldn't hurt to have video of the dairy and the dairy financials in file. Milk sample? Sure, if the doc prep lawyer doesn't have to obtain it. I think a good argument can be made that this is a title company's responsibility. I can very well envision Stewart's Jim Gosdin obtaining that sample. “Hi Betsy! I am from Stewart Title. This won't take but a minute!

5. **Consa what?** Section 50(a)(6)(P)(v) regarding authorized home equity lenders provides that a category of authorized lenders:

Is made by one of the following that has not been found by a federal regulatory agency to have engaged in the practice of refusing to make loans because the applicants for the loans reside or the property proposed to secure the loans is located in a certain area: (i) a bank...; (ii) a federally chartered...; (iii) a person licensed...; (iv) a person who sold...; or (v) a person who is related to the homestead property owner within the second degree of affinity or consanguinity...
[underline added]

Texas affinity and consanguinity statutes provide:

Government Code

§ 573.023. Computation of Degree of Consanguinity

(a) The degree of relationship by consanguinity between an individual and the individual's descendant is determined by the number of generations that separate them. A parent and child are related in the first degree, a grandparent and grandchild in the second degree, a great-grandparent and great-grandchild in the third degree and so on.

(b) If an individual and the individual's relative are related by consanguinity, but neither is descended from the other, the degree of relationship is determined by adding:

- (1) the number of generations between the individual and the nearest common ancestor of the individual and the individual's relative; and
- (2) the number of generations between the relative and the nearest common ancestor.

(c) An individual's relatives within the third degree by consanguinity are the individual's:

- (1) parent or child (relatives in the first degree);
- (2) brother, sister, grandparent, or grandchild (relatives in the second degree); and
- (3) great-grandparent, great-grandchild, aunt who is a sister of a parent of the individual, uncle who is a brother of a parent of the individual, nephew who is a child of a brother or sister of the individual, or niece who is a child of a brother or sister of the individual (relatives in the third degree).

§ 573.025. Computation of Degree of Affinity

(a) A husband and wife are related to each other in the first degree by affinity. For other relationships by affinity, the degree of relationship is the same as the degree of the underlying relationship by consanguinity. For example: if two individuals are related to each other in the second degree by consanguinity, the spouse of one of the individuals is related to the other individual in the second degree by affinity.

(b) An individual's relatives within the third degree by affinity are:

- (1) anyone related by consanguinity to the individual's spouse in one of the ways named in Section 573.023(c); and
- (2) the spouse of anyone related to the individual by consanguinity in one of the ways named in Section 573.023(c).

~~This language might have been borrowed from the Arkansas statutes regarding who may marry in Arkansas.~~ A parent/child relation is first degree. Brother, sister, grandparent and grandchild relations are second degree. A spouse's relatives count as yours. (That's sometimes a bummer.) So, any of these people CAN be the lender in a home equity loan as long as they haven't been "found" guilty of redlining! See **EXHIBIT F – Affidavit of Lender Relationship**. I haven't used this one yet, but I'm ready when the time comes.

My concern is that a "family member" advances a home equity loan that has a mortgagee title policy. After default neither claims each other (of course) and the lending relative claims he/she was not properly explained "consanguinity and affinity".

6. Paying Off Lender's Own Debt Section 50(a)(6)(Q)(i) allows an extension of credit that is made on condition that:

the owner of the homestead is not required to apply the proceeds of the extension of credit to repay another debt except debt secured by the homestead or debt to another lender;

What if the borrower wants to pay off some or all of the home equity lender's debt from the home equity loan proceeds? The unsecured debt probably has a higher non-deductible interest rate. [This is not to say that the home equity interest rate is guaranteed to be deductible]. The attached **EXHIBIT G – Texas Home Equity Acknowledgement Regarding Voluntary Repayment of Existing Debt** may be helpful in documenting that the home equity lender has not "required" its unsecured debt to be paid off as a condition to the home equity loan.

7. Copies Section 50(a)(6)(Q)(v) allows an extension of credit that is made if::

the lender, at the time the extension of credit is made, provide the owner of the homestead a copy of all documents signed by the owner related to the extension of credit;

Attached **EXHIBIT H - Receipt of Copies** can evidence this requirement.

8. Rescission Section 50(a)(6)(Q)(viii) allows an extension of credit that provides that:

the owner of the homestead and any spouse of the owner may, within three days after the extension of credit is made, rescind the extension of credit without penalty or charge;

The Regulatory Commentary opines that the provision provides for three calendar days unless the third calendar day falls on a Sunday or legal holiday, then the period would be extended to the next business day, and that complying with the Truth-in-Lending Act's right of rescission procedures satisfies the requirements of this section. Out of a abundance of probably unnecessary precaution, some lenders also use **EXHIBIT I & EXHIBIT J, Notice of Right to Rescind and Election Not to Rescind**.

9. Reasonable and Necessary Closing Costs of a Refinance Section 50(e) provides:

A refinance of debt secured by a homestead and described by any subsection under Subsections (a)(1)-(a)(5) that includes the advance of additional funds may not be secured by a valid lien against the homestead unless: (1) the re-finance of the debt is an extension of credit described by Subsection (a)(6) of this section; or (2) the advance of all the additional funds is for reasonable costs necessary to refinance such debt or for a purpose described by Subsection (a)(2), (a)(3), or (a)(5) of this section. [underline added]

What is reasonable? What is necessary?

Is there any threshold if any amount is not both reasonable and necessary which could cause an “accidental home equity”? **EXHIBIT K - Affidavit of Reasonable and Necessary Closing Costs of Homestead Property Refinance** is the borrower’s sworn statement that any closing costs advanced by lender are reasonable costs necessary to the refinance. Note: The Texas Department of Insurance on 4-24-98 in Title Bulletin 159 said “...until more definitive guidance comes from the Texas Legislature, the Attorney General or a court of competent jurisdiction, the Texas Department of Insurance will not object to a company utilizing an underwriting guideline which limits amounts included in the new loan for reasonable and necessary expenses of up to three percent (3%) of the amount of the loan being refinanced...”

10. Notice Concerning Extensions of Credit (English Version) The Texas Supreme Court in Stringer v Cendant Mortgage Corp 23 SW 3rd 353 (Tex. 2000) suggested an additional notice which would explain differences in the Constitution and the notice regarding paying off another lender’s secured debt. Our Notice with the additional Stringer notice is attached as **EXHIBIT L - Notice Concerning Extensions of Credit**. The Court suggests, but does not require, the additional notice.

11. Notice Concerning Extensions of Credit (Spanish Version) Section 50(j) provides:

if the discussions with the borrower are conducted primarily in a language other than English, the lender shall, before closing, provide an additional copy of the notice translated into the written language in which the discussions were conducted.

EXHIBIT M – Notice Concerning Extension of Credit (Spanish Version) is reproduced from the Office of Consumer Credit Commissioner’s website under:

http://www.occc.state.tx.us/Pubdocs/Spn_Disc.pdf

We have added an “English” header to it to accommodate a lender’s efforts to properly file it and the Stringer additional notice translated into Spanish.

There are translation services available to assist with other language translations. Language Line Services (languageline.com) document translation service can translate the document

into more than 140 languages. Pricing ranges from \$9.50 to \$20.00 per 25 word block, depending upon language and required completion time.

EXHIBIT N – Texas Home Equity Application to Closing Time Line illustrates when a home equity application is eligible for closing and funding.

12. Fannie/Freddie

- a) Revised Documents Fannie Mae and Freddie Mac have announced revised documents that must be used on or after 1-1-1 closings for loans sold to them. The home equity documents were included in the revisions. Fannie and Freddie have jointly approved a new fixed rate Note, Security Instrument, Condo Rider (Tx Home equity), PUD Rider (Tx Home Equity) and Affidavit and Agreement. Fannie has additionally posted 3 Adjustable Rate Notes and Riders. They are all available at:

http://www.fanniemae.com/singlefamily/doingbusiness/mortgagedocs/sf_documents.html

and

<http://www.freddiemac.com/uniform/>

The revised Texas home equity documents are:

<u>Document No.</u>	<u>Document Name</u>
3044.1	Texas Home Equity Security Instrument (First Lien) - Fannie Mae/Freddie Mac Uniform Instrument
3244.1	Texas Home Equity Note (Fixed Rate – First Lien) – Fannie Mae/Freddie Mac Uniform Instrument
3263.44	Texas Home Equity Fixed/Adjustable Rate Note – 10 Year Treasury Index – First Lien – Single Family – Fannie Mae Uniform Instrument
3522.44	Texas Home Equity Fixed/Adjustable Rate Note – 1 Year Treasury Index – First Lien – Single Family – Fannie Mae Uniform Instrument
3523.44	Texas Home Equity Fixed/Adjustable Rate Note – 1 Year Treasury Index – First Lien – Single Family – Fannie Mae Uniform Instrument
3140.44	Texas Home Equity Condominium Rider – Fannie Mae/Freddie Mac Uniform Instrument

- 3150.44 Texas Home Equity Planned Unit Development Rider – Fannie Mae/Freddie Mac Uniform Instrument
- 3176.44 Texas Home Equity Fixed/Adjustable Rate Rider – 10 year Treasury Index – First Lien – Single Family – Fannie Mae Uniform Instrument
- 3182.44 Texas Home Equity Fixed/Adjustable Rate Rider – 1 Year Treasury Index – First Lien – Single Family – Fannie Mae Uniform Instrument
- 3183.44 Texas Home Equity Fixed/Adjustable Rate Rider – 1 Year Treasury Index Convertible – First Lien – Single Family – Fannie Mae Uniform Instrument
- 3185 Texas Home Equity Affidavit and Agreement (First Lien) – Fannie Mae/Freddie Mac Uniform Instrument

- b) **Signed Closing Instructions** Fannie Mae Announcement 97-17 dated 12/09/97 provides:

It is important that a lender provide the title company with a detailed closing instruction letter and require an acknowledgement of its receipt.
[underline added]

Texas Title Insurance Manual – Procedural Rule 35. Prohibition Against Guaranties, Affirmations, Indemnifications, and Certifications provides:

No Title Insurance Company, Title Insurance Agent, Direct Operation, Escrow Officer, nor any employee, officer, director or agent of any such entity or person, shall issue or deliver any form of verbal or written guaranty, affirmation, indemnification, or certification of any fact, insurance coverage or conclusion of law to any insured or party to a transaction other than: (i) a statement that a transaction has closed and/or has been funded, (ii) issuance of an insured closing service letter, or any insuring form or endorsement promulgated by the State Board of Insurance, or (iii) certification of copies of documents as being true and exact copies of the original document or of the document recorded in the public records.

The State Board of Insurance in their Bulletin No. 155 dated 4-30-91 when interpreting P35 said:

The rule is not intended to prohibit title agents or escrow officers from following the terms of and acknowledging receipt of standard closing instructions, provided that no certification or guaranty is included or im-

plied in the acknowledgment of receipt. The rule applies to all real estate transactions, including commercial transactions, residential transactions, and instructions from lenders or attorneys. [underline added]

Based on all of the above, it must be concluded that:

- 1) Fannie requires an acknowledgement of lender's closing instructions in home equity loans they purchase.
- 2) A title company is not prohibited from signing an acknowledgement of receipt for "standard closing instructions" if they do not contain language prohibited by P35.

Attached **EXHIBIT O – Texas Home Equity Loan Closing Instructions Addendum** is provided as a sample of closing instructions that don't contain the P35 prohibited language and has an acceptable (to lender anyway) "acknowledgement".

- 13. Initial Disclosures and Final Loan Documents** In addition to the Notice Concerning Extensions of Credit, Texas home equity loans are subject to Truth-in-Lending, RESPA and other loan disclosures. **EXHIBIT P – Peirson & Patterson, L.L.P. – Mortgage Loan Disclosure Matrix** indicates which disclosures are necessary and their required timing. Through our **ppdocs.com** website you may obtain (free first 5 transactions) all the completed initial disclosures applicable to a Texas home equity loan, including the new Consumer Privacy Policy Notice (effective 11-13-00, mandatory compliance 7-1-01). Our automated initial disclosure process also contains numerous compliance audits. Some of the specific Texas home equity compliance audits are:
- a) 80% LTV check
 - b) 3% fees and charges calculation
 - c) 12 day waiting period audit

Final Texas home equity documents can also be ordered here. Both options below include full packages that include dynamic closing instructions, truth-in-lending disclosure, aggregate escrow analysis and disclosure, note, security agreement, affidavits and all other applicable support documents including those special documents included with this paper. No set up charges. No long-term contract. No minimum usage requirements. Multiple delivery options including e-mail and Digital Delivery.

Fast Track Option

- User chooses documents.
- Another lawyer must be responsible for document selection, title review and any curative.
- One-minute turnaround.
Price = \$50.00

P&P Review Option

- P&P chooses documents.
 - P&P reviews title and survey.
 - P&P does any necessary title curative.
 - One-hour turnaround.
- Price = \$150.00

14. Modification It will be a sad day when a Texas home equity lender is tagged with “forfeiture” because in their attempt to assist a borrower in default they accidentally incorporated a prohibited term in their modification efforts.

EXHIBIT Q – Extension of Credit Modification Agreement is an effort to have a work-out document that is sensitive to some of the Texas home equity issues. It:

- a) is based on the standard Fannie/Freddie Loan Modification Agreement - Uniform Instrument Form 3179. [However, this Extension of Credit Modification Agreement is not a Fannie/Freddie document.]
- b) has limiting language added to “promise to pay”.
- c) has no stipulated “Maturity Date”. P&I payment payout option only.
- d) has a savings clause borrowed from the Fannie/Freddie Texas Home Equity Security Instrument.
- e) has miscellaneous enhancements.

The recasting should be in “substantially equal successive monthly installments”.

The Regulatory Commentary opines that the three percent limitation doesn’t apply to “subsequent events” “after the consumation of the transaction”. Per the Regulatory Commentary “late charges” and “collection costs” are excluded from the calculation. It should (may?) follow that the fees associated with recasting a workout are also excluded.

15. Bridge Loans This can be a dangerous practice. If a borrower pledges their existing homestead when purchasing/constructing their new home(stead?) and does not move out of their existing homestead, you might have the “accidental home equity”.

A purchaser or lender for value without actual knowledge is entitled to conclusively rely on an affidavit that disclaims property as homestead or designates other property as the homestead of the affiant. Tex. Const. Act XVI, § 50(d). “Without actual knowledge” is the kicker. This is a fact question that can be avoided.

We recommend language in the Deed of Trust describing the existing homestead that delays the effective date of the lien until the property is no longer the homestead of the borrower.

Sample Clause: Lender's lien and security interest in the Property is not effective until the Property ceases to be Borrower's Texas homestead. At that time, this lien will become effective. Borrower's subsequent occupancy or claim of homestead will not later effect the lien.

III. CONCLUSION

Texas home equity lending certainly has more documentation and other issues than regular residential lending, but with proper attention to detail those risks can be managed and minimized.

This article is only for general, limited informational purposes. It is intended for the benefit of our clients and friends in the industry. It is not intended to be considered legal advice for any particular transaction. It is not an opinion of the firm.

EXHIBIT A

TEXAS HOME EQUITY SUMMARY POINTS

The following is a partial listing of Texas home equity lending requirements:

- **Voluntary Lien**
A voluntary lien must be created under a written agreement with the consent of each owner and each owner's spouse. Section 50(a)(6)(A).
- **Loan to Value Cap**
The principal loan amount when added to the other valid liens against the property cannot exceed 80.00% of the fair market value of the property the date the loan is closed. Section 50(a)(6)(B).
- **Nonrecourse Loans**
All loans will be without recourse (no personal liability) unless the loan was obtained by actual fraud. No guaranties! Section 50(a)(6)(C).
- **Court Order Before Foreclosure**
Texas Home Equity loans must be foreclosed by court order. The lender must obtain an order to foreclose the property. Section 50(a)(6)(D).
- **Fees**
All fees and charges (not including "interest" [includes origination, excludes buy down interest]) are limited to a 3.00% cap of the loan amount over the life of the loan. This includes title company, survey, appraisal and other 3rd party charges. Section 50(a)(6)(E).
- **Lines of Credit Prohibited**
Open-end line of credit accounts **are not** permitted. Section 50(a)(6)(F).
- **Prepayment Penalty**
Prepayment penalties **are not** allowed. Section 50(a)(6)(G).
- **Additional Collateral**
Only the homestead property may be used as collateral for an equity loan. Section 50(a)(6)(H). Urban homestead limit = 10 acres. Rural homestead limit = 100 acres for single person, 200 acres for married or single.
- **Agricultural Property Exemption**
A property designated as "agricultural use" cannot be used as collateral for an equity loan unless the property is used primarily for the "production of milk". Section 50(a)(6)(I).
- **Decrease in Market Value**
If the market value of the homestead decreases, the lender may not demand payment on an equity loan. Section 50(a)(6)(J).
- **Cross Default**
The lender cannot require or demand payment on an equity loan because of a default on another debt. Section 50(a)(6)(J).
- **One Debt**
Only one home equity loan can be made at a time. Section 50(a)(6)(K).

- **Equity Payments/Full Amortization**
Equity payments must be made in substantially equal successive monthly installments beginning no later than two months from closing. No balloon payments. No negative amortization. Section 50(a)(6)(L).
- **12 Day Waiting Period:**
Equity loan can not close until 12 days after the later of all owners having made loan application and lender providing each owner the required Home Equity Notice. Section 50(a)(6)(M)(i).
- **One Year Between Refis**
An equity loan cannot close prior to the anniversary of the closing date of any other home equity loan against the property. Section 50(a)(6)(M)(ii).
- **Location of Closing**
Equity loans can only be closed in the office of the lender, an attorney at law or a title company. Section 50(a)(6)(N).
- **Loan Programs**
Lenders may close loans on fixed or variable programs, no balloons. FNMA does not allow a teaser. Section 50(a)(6)(O).
- **Authorized Lenders - Section 50(a)(6)(P)**
A lender making equity loans must not have been found by a federal regulatory agency to have engaged in the practice of refusing to make loans because the property is located in a certain area (redlining). Equity loans can only be made by the following authorized lenders:
 - A bank, savings and loan association, savings bank, or credit union doing business under the laws of Texas or the United States.
 - A federally chartered lending instrumentality or a person approved as a mortgagee by the United States government to make federally insured loans.
 - A person licensed to make regulated loans, as provided by statute of Texas.
 - Seller of the property.
 - Certain related persons to the home owner.
- **Loan Proceeds**
The lender can not require the owner to apply the loan proceeds to pay off any debt other than a debt secured by the homestead or a debt (secured or unsecured) to another lender. Section 50(a)(6)(Q)(i). May, require another lender's unsecured debt paid off, but must not require lender's own unsecured debt paid off.
- **Assignment of Wages**
Borrower can not assign wages as security for the equity loan. Section 50(a)(6)(Q)(ii).
- **Non-English Loan Discussions**
Loan can not be closed before 12 days after the lender provides the owner (all) with the prescribed notice in writing on a separate instrument in English and in writing in the language in which the discussions were conducted. Section 50(g).
- **Documents Executed by Borrower**
NO BLANKS MAY BE LEFT IN ANY DOCUMENT WHICH THE BORROWER EXECUTES.
Section 50(a)(6)(Q)(iii).

■ **Copies Provided to Borrower**

The lender, at the time the loan is made, must provide the owner a copy of all documents signed by the owner. Section 50(a)(6)(Q)(v).

■ **Right to Rescind**

The owner of the homestead and any spouse of the owner may, within three days after the loan is made, rescind the loan without penalty or charge. Section 50(a)(6)(Q)(viii).

■ **Acknowledgment of Fair Market Value**

Owner and lender must sign a written acknowledgment as to fair market value of the homestead. Section 50(a)(6)(Q)(ix). KEEP THIS ORIGINAL WITH THE NOTE.

■ **Forfeiture**

Failure of lender to comply with lender's obligations results in the forfeiture of all principal and interest. Section 50(a)(6)(Q)(x).

The above are only a partial listing of Texas home equity lending requirements. Seek legal counsel for further explanation and clarification.

EXHIBIT B

LENDER:
BORROWERS:

PROPERTY:
LOAN NO:
LOAN DATE:
LOAN AMOUNT:

**WAIVER OF CERTAIN TERMS
IN OTHER LOANS WITH LENDER**

Borrower acknowledges that Lender waives any terms in any prior, existing, or future loan documentation which either 1) create cross default; 2) provide for additional collateral; and/or 3) create personal liability of any party (except in the event of actual fraud), for the above referenced home equity loan and any other home equity loan.

This waiver includes, but is not limited to, any prior, existing, or future 1) guaranty; 2) cross collateralization; 3) future indebtedness; 4) cross default; and/or 5) dragnet provisions in any prior, existing, or future loan documentation with Lender.

This waiver to those referenced loan provisions applies only to the above referenced home equity loan and any other home equity loan if applicable law prohibits said loan provisions.

EXHIBIT C

LENDER:
BORROWERS:

PROPERTY:
LOAN NO:

**TEXAS HOME EQUITY
DISCOUNT POINT ACKNOWLEDGMENT**

This loan is an extension of credit as defined by Section 50(a)(6), Article XVI of the Texas Constitution.

I acknowledge that I am the owner, or a spouse of an owner, of the property commonly known as: ("Homestead Property").

I acknowledge that I have elected to pay discount point(s) to obtain a lesser interest rate. Discount point(s) are a one-time charge. Each discount point is equal to one percent (1%) of the principal loan amount. Discount point(s) are assessed by a lender at closing to increase the yield on the loan. I understand that the interest rate stated in the Note would have been higher if I had not paid such discount point(s). Discount point(s) are considered prepaid interest. Prepaid interest is "interest" according to Section 50(6)(E), Article XVI of the Texas Constitution and are excluded from the three percent (3%) limit on fees required by the Lender to be paid by the Borrower, owner, or the owner's spouse to originate, evaluate, maintain, record, insure, or service the extension of credit.

I acknowledge that Lender is relying on this statement.

(Date)	(Date)
(Owner/Owner's Spouse/Borrower)	(Owner/Owner's Spouse/Borrower)
(Date)	(Date)
(Owner/Owner's Spouse/Borrower)	(Owner/Owner's Spouse/Borrower)

EXHIBIT D

**City Letter Regarding Homestead
[Ghost Draft]**

(Lender Letterhead)

(City Name)

Attn: _____

(City Address)

(City Address)

Re Borrower: _____

Re Property: _____

TO WHOM IT MAY CONCERN:

Please be advised that we are a lender considering making a loan to the above referenced Borrower on the above referenced Property. In accordance with Sections 50(a)(6)(H), Article XVI of the Texas Constitution, we must determine that the Property offered as collateral is limited to the homestead property of the Borrower. If the Property exceeds 10 acres (as with the above referenced Property) it must be a "rural" rather than an "urban" homestead. The Texas Property Code provides that a homestead is considered to be urban if, at the time the designation is made, the property is:

- (1) located within the limits of a municipality or its extraterritorial jurisdiction or a platted subdivision; and
- (2) served by police protection, paid or volunteer fire protection, and at least three of the following services provided by a municipality or under contract to a municipality:
 - (A) electric;
 - (B) natural gas;
 - (C) sewer;
 - (D) storm sewer; and
 - (E) water.

Our Borrower is representing to us that this Property is a rural homestead as defined by Texas law.

Please review your records and advise us accordingly.

Sincerely,
Lender

We have reviewed our records for the above referenced Property. Our records indicate that the Property should/should not be considered as a rural homestead

(Circle One)

City of _____

EXHIBIT E

LENDER:
BORROWERS:

PROPERTY:
LOAN NO:

**AFFIDAVIT OF MILK PRODUCTION
ON HOMESTEAD PROPERTY**

THE UNDERSIGNED, first being sworn, upon oath, and under penalty of perjury attest and say that:

The undersigned represent that they are all the owners and spouses of owners of the Property.

The undersigned represent to Lender that his Property is used primarily for the production of milk;

The undersigned acknowledge that Lender is relying on this written representation as a condition of making the loan.

When this Affidavit is executed by only one person, the instrument shall read as if pertinent verbs, nouns and pronouns were changed correspondingly, and reference to any gender shall include either gender, all as the case may be.

Owner/Borrower		Owner/Borrower	Date
Owner/Borrower	Date	Owner/Borrower	Date

THE STATE OF TEXAS
COUNTY OF _____

SWORN TO AND SUBSCRIBED before me on the _____ day of _____, 20_____.

Notary Public, State of Texas

(Personalized Seal)

EXHIBIT G

LENDER:
BORROWERS:

PROPERTY:
LOAN NO:

**TEXAS HOME EQUITY
ACKNOWLEDGMENT REGARDING
VOLUNTARY REPAYMENT OF EXISTING DEBT**

I acknowledge that I am voluntarily repaying existing debt owed to lender from the proceeds of my home equity loan. Lender is not requiring me to apply the proceeds of my home equity loan to any existing debt owed to Lender. I acknowledge that I have the right to receive the home equity loan proceeds and not pay off or reduce my existing debt to Lender.

(Owner/Borrower) (Date)

(Owner/Borrower) (Date)

(Owner/Borrower) (Date)

(Owner/Borrower) (Date)

EXHIBIT H

LENDER: _____
OWNER/BORROWER: _____
PROPERTY: _____
LOAN NO: _____

RECEIPT OF COPIES

I/We each acknowledge that Lender (or a settlement agent on behalf of Lender), at the time the above referenced loan was made, provided each owner of the Property a copy of all documents signed by the owner related to the loan including, but not limited to, the following:

- 1) Notice Concerning Extensions of Credit
(Copy of signed document containing no blanks. The first copy of signed document containing no blanks was provided to each Owner at least 12 days before closing.)
- 2) Affidavit Regarding Fair Market Value
(Copy of signed document containing no blanks.)
- 3) Texas Home Equity Note
(Copy of signed document containing no blanks.)
- 4) Texas Home Equity Security Instrument (and any attached Riders)
(Copy of signed document containing no blanks.)
- 5) Notice of Right to Rescind
(Copy of signed document containing no blanks.)
- 6) All other documents required by Lender.
(Copy of signed documents containing no blanks.)
- 7) All documents required by any settlement agent.
(Copy of signed documents containing no blanks.)
- 8) All documents required by any others.
(Copy of signed documents containing no blanks.)

Owner

Owner

Owner

Owner

EXHIBIT I

LENDER: _____
OWNER/BORROWER: _____
PROPERTY: _____
LOAN NO: _____

NOTICE OF RIGHT TO RESCIND

- (1) **Your Right To Rescind:** You are entering into a transaction which will result in a security interest in your Property. The owner of the Property and any spouse of the owner may under Texas law rescind this transaction, without penalty or charge, within three (3) days after the loan is made.
- (2) **How To Rescind:** If you decide to rescind this transaction, you may do so by notifying us in writing at:

You may use this notice to rescind by dating and signing below. Keep one (1) copy of this notice because it contains important information about your rights. If you rescind by mail or telegram, you must send the notice no later than midnight of the third day following the date the loan is made. If you send or deliver your written notice to rescind some other way, it must be delivered to the above address no later than that time.

I Wish To Rescind: (Only one Property Owner’s signature is required to effect a rescission.)

(Owner/Borrower/Spouse of Owner) Date

Owner/Borrower/Spouse of Owner Date

(Owner/Borrower/Spouse of Owner) Date

Owner/Borrower/Spouse of Owner Date

- (3) **Receipt of Notice:** The undersigned hereby represents and warrants that I/we am the only person(s) with an ownership interest in the Property. We hereby acknowledge that the transaction identified on the fact of this Notice was consummated and that we have each received on copy of this Notice on the _____ day of _____, 20_____.

(Owner/Borrower/Spouse of Owner) Date

Owner/Borrower/Spouse of Owner Date

(Owner/Borrower/Spouse of Owner) Date

Owner/Borrower/Spouse of Owner Date

EXHIBIT J

LENDER: _____
OWNER/BORROWERS: _____
PROPERTY: _____
LOAN NO: _____

ELECTION NOT TO RESCIND

I/We Do Not Wish to Rescind: (Do not sign the following until after time for rescission has expired). The undersigned hereby certifies that more than three (3) days have elapsed since my/our loan has been made. I/We acknowledge receiving copies of all documents signed by the Owner related to the loan from Lender (or a settlement agent on behalf of Lender), at the time the loan was made.

The undersigned has not exercised his/her right to rescind.

(Owner/Borrower/Spouse of Owner) (Date)

(Owner/Borrower/Spouse of Owner) (Date)

(Owner/Borrower/Spouse of Owner) (Date)

(Owner/Borrower/Spouse of Owner) (Date)

EXHIBIT K

LENDER:
BORROWERS:

PROPERTY:
LOAN NO:

**AFFIDAVIT OF REASONABLE AND NECESSARY CLOSING COSTS
FOR HOMESTEAD PROPERTY REFINANCE**

(Pursuant to Section 50(e), Article XVI of the Texas Constitution)

State of **TEXAS**

Before me, the undersigned authority, a Notary Public in and for the State of Texas, on this day personally appeared

and on oath such individual, or each of them, swears that the following statements are true:

I. REPRESENTATIONS AND WARRANTIES:

A. I am a borrower named in the Note (the "Note") or the owner or spouse of an owner of the property described in the Deed of Trust (the "Security Instrument" which term includes any riders to the Security Instrument), both bearing date of _____, evidencing and securing a loan (the "Loan") and providing for a lien on the following described property ("Property") located in _____ County, Texas:

(Legal Description)

which has the address of:

,
("Property Address")

B. I understand that the lender making the Loan is

(the "Lender").

C. The undersigned includes all owners and spouses of owners of the Property and all borrowers named in the Note.

D. **IN ADDITION TO THE REFINANCE OF PRINCIPAL AND INTEREST LENDER IS ADVANCING ALL OR A PORTION OF THE COSTS NECESSARY TO REFINANCE DEBT ON THE PROPERTY. BORROWER ACKNOWLEDGES THESE COSTS TO BE REASONABLE AND NECESSARY COSTS TO REFINANCE SUCH DEBT.**

E. **BORROWER HAS RECEIVED NO FUNDS (DIRECTLY OR INDIRECTLY) FROM THE LOAN OTHER THAN THOSE ADVANCED FOR THE PAYMENT OF 1) PRINCIPAL AND INTEREST ON ANY LOANS BEING REFINANCED, AND 2) REASONABLE AND NECESSARY CLOSING COSTS, RELATED TO SAID CLOSING.**

F. **IF ANY PORTION OF THE LOAN AMOUNT SECURES A DEBT FOR WORK AND MATERIAL USED IN CONSTRUCTING IMPROVEMENTS ON THE PROPERTY, I UNDERSTAND THAT FUNDS NOT USED IN SUCH CONSTRUCTING, IF ANY, MUST BE USED TO REDUCE THE UNPAID PRINCIPAL OF THE LOAN. AT LENDER'S OPTION, THE NOTE MUST BE MODIFIED TO EVIDENCE THE ACTUAL FUNDS ADVANCED.**

II. AGREEMENT PROVISIONS:

A. **Inducement and Reliance.** I understand that my execution of this Affidavit is made to induce Lender and its successors and assigns to make or purchase the Loan and that Lender and its assigns will rely on it as additional consideration for making or purchasing the Loan. I also understand that each of the statements made in the Representations and Warranties Section is material and will be acted upon by the Lender and its assigns, and that if such statement is false or made without knowledge of the truth, the Lender and its assigns will suffer injury.

B. **Remedies in the Event of Fraud.** If any Borrower obtains the Loan by fraud, then borrowers named in the Note agree to indemnify and save Lender and its successors and assigns harmless against any loss, costs, damages, attorneys' fees, expenses and liabilities which Lender may incur or sustain in connection with such fraud and any court action arising therefrom and will pay the same upon demand.

III. STATEMENT UNDER OATH

I/We hereby swear under oath that the representations and warranties referred to and set forth in Section I above are true and correct. I/We understand that this Affidavit is part of the loan documentation. When this Affidavit is executed by only one person, it shall read as if pertinent verbs, nouns, and pronouns were changed accordingly.

[DO NOT SIGN IF THERE ARE BLANKS LEFT TO BE COMPLETED IN THIS DOCUMENT.]

(Owner/Owner's Spouse/Borrower)

(Owner/Owner's Spouse/Borrower)

(Owner/Owner's Spouse/Borrower)

(Owner/Owner's Spouse/Borrower)

SWORN TO AND SUBSCRIBED before me on this _____ day of _____, _____.

[PERSONALIZED SEAL]

Notary Public, State of _____

Printed Name of Notary

My Commission Expires: _____

ADVISORY NOTICE

ALL STATEMENTS IN THE FOREGOING AFFIDAVIT ARE MADE UNDER OATH. IF ANY SUCH STATEMENT IS MADE WITH KNOWLEDGE THAT SUCH STATEMENT IS FALSE, THE PERSON MAKING SUCH FALSE STATEMENT MAY BE SUBJECT TO CIVIL AND CRIMINAL PENALTIES UNDER APPLICABLE LAW AND MAY BE PERSONALLY LIABLE ON THE NOTE AND MAY CAUSE ALL OTHER BORROWERS NAMED IN THE NOTE TO BE PERSONALLY LIABLE ON THE NOTE.

EXHIBIT L

LENDER:
BORROWERS:

PROPERTY:
LOAN NO:

NOTICE CONCERNING EXTENSIONS OF CREDIT

DEFINED BY SECTION 50(a)(6), ARTICLE XVI, TEXAS CONSTITUTION

SECTION 50(a)(6), ARTICLE XVI, OF THE TEXAS CONSTITUTION ALLOWS CERTAIN LOANS TO BE SECURED AGAINST THE EQUITY IN YOUR HOME. SUCH LOANS ARE COMMONLY KNOWN AS EQUITY LOANS. IF YOU DO NOT REPAY THE LOAN OR IF YOU FAIL TO MEET THE TERMS OF THE LOAN, THE LENDER MAY FORECLOSE AND SELL YOUR HOME. THE CONSTITUTION PROVIDES THAT:

- (A) THE LOAN MUST BE VOLUNTARILY CREATED WITH THE CONSENT OF EACH OWNER OF YOUR HOME AND EACH OWNER'S SPOUSE;
- (B) THE PRINCIPAL LOAN AMOUNT AT THE TIME THE LOAN IS MADE MUST NOT EXCEED AN AMOUNT THAT, WHEN ADDED TO THE PRINCIPAL BALANCES OF ALL OTHER LIENS AGAINST YOUR HOME, IS MORE THAN 80 PERCENT OF THE FAIR MARKET VALUE OF YOUR HOME;
- (C) THE LOAN MUST BE WITHOUT RECOURSE FOR PERSONAL LIABILITY AGAINST YOU AND YOUR SPOUSE UNLESS YOU OR YOUR SPOUSE OBTAINED THIS EXTENSION OF CREDIT BY ACTUAL FRAUD;
- (D) THE LIEN SECURING THE LOAN MAY BE FORECLOSED UPON ONLY WITH A COURT ORDER;
- (E) FEES AND CHARGES TO MAKE THE LOAN MAY NOT EXCEED 3 PERCENT OF THE LOAN AMOUNT;
- (F) THE LOAN MAY NOT BE AN OPEN-END ACCOUNT THAT MAY BE DEBITED FROM TIME TO TIME OR UNDER WHICH CREDIT MAY BE EXTENDED FROM TIME TO TIME;
- (G) YOU MAY PREPAY THE LOAN WITHOUT PENALTY OR CHARGE;
- (H) NO ADDITIONAL COLLATERAL MAY BE SECURITY FOR THE LOAN;
- (I) THE LOAN MAY NOT BE SECURED BY AGRICULTURAL HOMESTEAD PROPERTY, UNLESS THE AGRICULTURAL HOMESTEAD PROPERTY IS USED PRIMARILY FOR THE PRODUCTION OF MILK;
- (J) YOU ARE NOT REQUIRED TO REPAY THE LOAN EARLIER THAN AGREED SOLELY BECAUSE THE FAIR MARKET VALUE OF YOUR HOME DECREASES OR BECAUSE YOU DEFAULT ON ANOTHER LOAN THAT IS NOT SECURED BY YOUR HOME;
- (K) ONLY ONE LOAN DESCRIBED BY SECTION 50(a)(6), ARTICLE XVI, OF THE TEXAS CONSTITUTION MAY BE SECURED WITH YOUR HOME AT ANY GIVEN TIME;
- (L) THE LOAN MUST BE SCHEDULED TO BE REPAID IN PAYMENTS THAT EQUAL OR EXCEED THE AMOUNT OF ACCRUED INTEREST FOR EACH PAYMENT PERIOD;
- (M) THE LOAN MAY NOT CLOSE BEFORE 12 DAYS AFTER YOU SUBMIT A WRITTEN APPLICATION TO THE LENDER OR BEFORE 12 DAYS AFTER YOU RECEIVE THIS NOTICE, WHICHEVER DATE IS LATER; AND IF YOUR HOME WAS SECURITY FOR THE SAME TYPE OF LOAN WITHIN THE PAST YEAR, A NEW LOAN SECURED BY THE SAME PROPERTY MAY NOT CLOSE BEFORE ONE YEAR HAS PASSED FROM THE CLOSING DATE OF THE OTHER LOAN;

- (N) THE LOAN MAY CLOSE ONLY AT THE OFFICE OF THE LENDER, TITLE COMPANY, OR AN ATTORNEY AT LAW;
- (O) THE LENDER MAY CHARGE ANY FIXED OR VARIABLE RATE OF INTEREST AUTHORIZED BY STATUTE;
- (P) ONLY A LAWFULLY AUTHORIZED LENDER MAY MAKE LOANS DESCRIBED BY SECTION 50(a)(6), ARTICLE XVI, OF THE TEXAS CONSTITUTION; AND
- (Q) LOANS DESCRIBED BY SECTION 50(a)(6), ARTICLE XVI, OF THE TEXAS CONSTITUTION MUST:
 - (1) NOT REQUIRE YOU TO APPLY THE PROCEEDS TO ANOTHER DEBT THAT IS NOT SECURED BY YOUR HOME OR TO ANOTHER DEBT TO THE SAME LENDER;
 - (2) NOT REQUIRE THAT YOU ASSIGN WAGES AS SECURITY;
 - (3) NOT REQUIRE THAT YOU EXECUTE INSTRUMENTS WHICH HAVE BLANKS LEFT TO BE FILLED IN;
 - (4) NOT REQUIRE THAT YOU SIGN A CONFESSION OF JUDGMENT OR POWER OF ATTORNEY TO ANOTHER PERSON TO CONFESS JUDGMENT OR APPEAR IN A LEGAL PROCEEDING ON YOUR BEHALF;
 - (5) PROVIDE THAT YOU RECEIVE A COPY OF ALL DOCUMENTS YOU SIGN AT CLOSING;
 - (6) PROVIDE THAT THE SECURITY INSTRUMENTS CONTAIN A DISCLOSURE THAT THIS LOAN IS A LOAN DEFINED BY SECTION 50(a)(6), ARTICLE XVI, OF THE TEXAS CONSTITUTION;
 - (7) PROVIDE THAT WHEN THE LOAN IS PAID IN FULL, THE LENDER WILL SIGN AND GIVE YOU A RELEASE OF LIEN OR AN ASSIGNMENT OF THE LIEN, WHICHEVER IS APPROPRIATE;
 - (8) PROVIDE THAT YOU MAY, WITHIN 3 DAYS AFTER CLOSING, RESCIND THE LOAN WITHOUT PENALTY OR CHARGE;
 - (9) PROVIDE THAT YOU AND THE LENDER ACKNOWLEDGE THE FAIR MARKET VALUE OF YOUR HOME ON THE DATE THE LOAN CLOSES; AND
 - (10) PROVIDE THAT THE LENDER WILL FORFEIT ALL PRINCIPAL AND INTEREST IF THE LENDER FAILS TO COMPLY WITH THE LENDER'S OBLIGATIONS.

ADDITIONAL NOTICE

THE NOTICE ABOVE STATES THAT YOUR HOME EQUITY LENDER MAY NOT REQUIRE YOU TO APPLY THE LOAN PROCEEDS TO ANOTHER DEBT THAT IS NOT SECURED BY YOUR HOME. ALTHOUGH THE TEXAS CONSTITUTION REQUIRES THAT THE NOTICE INCLUDE THIS STATEMENT, THE STATEMENT CONFLICTS WITH ANOTHER PROVISION OF THE TEXAS CONSTITUTION. THAT PROVISION PERMITS YOUR HOME EQUITY LENDER TO REQUI YOU TO APPLY THE LOAN PROCEEDS TO A DEBT TO ANOTHER LENDER THAT IS NOT SECURED BY YOUR HOME. THIS PROVISION IS CONTROLLING, AND YOU SHOULD DISREGARD THE CONTRARY STATEMENT IN THE NOTICE.

I/WE HAVE READ THE ABOVE DISCLOSURE, THE ADDITIONAL NOTICE AND ACKNOWLEDGE RECEIVING A COPY BY SIGNING BELOW.

[ALL OWNERS OF THE HOME MUST SIGN AND DATE A NOTICE CONCERNING EXTENSIONS OF CREDIT DEFINED BY SECTION 50(a)(6), ARTICLE XVI OF THE TEXAS CONSTITUTION AFTER YOU HAVE SUBMITTED A WRITTEN LOAN APPLICATION TO LENDER OR LENDER'S REPRESENTATIVE. DO NOT SIGN THIS DOCUMENT UNLESS THE DATE INDICATED BELOW IS CORRECT AND SUCH DATE IS AT LEAST TWELVE (12) DAYS PRIOR TO THE EXECUTION OF THE NOTE AND SECURITY INSTRUMENT. YOU MUST RECEIVE A COPY OF THIS NOTICE AT THE TIME YOU SIGN IT.]

Received by the undersigned on the date indicated:

(Owner/Borrower)

Date: _____

(Owner/Borrower)

Date: _____

(Owner/Borrower)

Date: _____

(Owner/Borrower)

Date: _____

EXHIBIT M

LENDER:
BORROWERS:

PROPERTY:
LOAN NO:

“AVISO SOBRE EL CRÉDITO QUE SE CONCEDE”

DEFINIDO POR LA SECCIÓN 50(a)(6), ARTICULO XVI, CONSTITUCIÓN DE TEXAS:

“SECCIÓN 50(a)(6), ARTICULO XVI, DE LA CONSTITUCIÓN DE TEXAS PERMITE QUE CIERTOS PRESTAMOS SE PUEDAN GARANTIZAR POR EL VALOR LIQUIDO DE SU HOGAR. TALES PRESTAMOS GENERALMENTE SE CONOCEN COMO PRESTAMOS SOBRE VALOR LIQUIDO. SI USTED NO PAGA EL PRÉSTAMO O SI USTED NO CUMPLE CON LAS CONDICIONES DEL PRÉSTAMO, EL PRESTAMISTA PUEDE EJECUTAR UN JUICIO HIPOTECARIO Y VENDER SU HOGAR. LA CONSTITUCIÓN DISPONE QUE:

“(A) EL PRÉSTAMO DEBE SER INICIADO VOLUNTARIAMENTE CON EL CONSENTIMIENTO DE CADA PROPIETARIO DE SU HOGAR, Y DE CADA CÓNYUGE DE CADA PROPIETARIO:

“(B) LA CANTIDAD DEL PRINCIPAL DEL PRESTAMOS AL HACERSE EL PRÉSTAMO NO DEBE EXCEDER UNA CANTIDAD QUE, AGREGÁNDOSE AL BALANCE DEL PRINCIPAL DE TODOS LOS OTROS EMBARGOS SOBRE SU HOGAR, SEA MAS DEL 80 PORCIENTO DEL VALOR JUSTO DE VENTA DE SU HOGAR;

“(C) EL PRÉSTAMO DEBE SER SIN REMEDIO DE RESPONSABILIDAD PERSONAL CONTRA USTED Y SU CÓNYUGE A NO SER QUE USTED O SU CÓNYUGE CONSIGUIÓ QUE SE LE CONCEDIERA EL CRÉDITO POR FRAUDE;

“(D) EL DERECHO PRENDARIO (LIEN) QUE GARANTIZA EL PRÉSTAMO SE PUEDE EJECUTAR SOLO CON ORDEN JUDICIAL;

“(E) LOS HONARARIOS Y EL COSTO DE HACER EL PRÉSTAMO NO DEBEN EXCEDER EL 3 POR CIENTO DE LA CANTIDAD DEL PRÉSTAMO;

“(F) EL PRÉSTAMO NO DEBE SER CUENTA ABIERTA EN LA CUAL SE PUEDE CARGAR DE VEZ EN CUANDO O EN LA CUAL SE PUEDE EXTENDER CRÉDITO DE VEZ EN CUANDO;

“(G) PUEDE USTED PAGAR EL PRÉSTAMO ANTES DE SU VENCIMIENTO SIN CARGOS (MULTAS) NI COSTO;

“(H) NO DEBE HABER SEGURIDAD COLATERAL ADICIONAL PARA EL PRÉSTAMO;

“(I) EL PRÉSTAMO NO DEBE GARANTIZARSE CON EL HOGAR SEGURO EN

PROPIEDAD AGRÍCOLA, A NO SER QUE EL HOGAR SEGURO EN PROPIEDAD AGRÍCOLA, SE USA PRINCIPALMENTE EN LA PRODUCCIÓN DE LECHE;

“(J) NO ES REQUISITO QUE USTED PAGUE EL PRÉSTAMO ANTES DE LA FECHA DE VENCIMIENTO ACORDADA, SIMPLEMENTE PORQUE EL VALO JUSTO DE MERCADO DE SU HOGAR HA DECAÍDO O PORQUE USTED ESTA EN INCUMPLIMIENTO DE OTRO PRÉSTAMO QUE NO ESTA GARANTIZADO POR SU HOGAR;

“(K) DE ACUERDO CON LA SECCIÓN 50(A)(6) , ARTICULO XVI DE LA CONSTITUCIÓN DE TEJAS SU HOGAR SE PUEDE USAR COMO GARANTÍA SOLO EN UN PRÉSTAMO A LA VEZ;

“(L) EL PRÉSTAMO DEBE ESTAR PREVISTO PARA PAGARSE EN PAGOS QUE EQUIVALEN AL INTERÉS O QUE EXCEDEN LA CANTIDAD DE INTERÉS ACUMULADO EN CADA PERÍODO DE PAGO;

“(M) LA CONCLUSIÓN DEL TRÁMITE DEL PRÉSTAMO NO PUEDE SER ANTES DE HABERSE CUMPLIDO 12 DÍAS DE CUANDO USTED SOMETE LA SOLICITUD ESCRITA AL PRESTAMISTA O ANTES DE HABERSE CUMPLIDO 12 DÍAS DESPUÉS DE HABER RECIBIDO USTED ESTE AVISO, DEPENDIENDO DE CUAL FECHA SEA DESPUÉS; Y SI SU HOGAR SE USO PARA GARANTIZAR EL MISMO TIPO DE PRÉSTAMO EN EL ULTIMO AÑO, NO SE PUEDE CONCLUIR TRÁMITES DE UN PRÉSTAMO NUEVO GARANTIZADO POR LA MISMA PROPIEDAD ANTES DE HABER PASADO UN AÑO DE LA FECHA DE CONCLUSIÓN DE TRÁMITES DEL OTRO PRÉSTAMO;

“(N) LA CONCLUSIÓN DE TRÁMITES DEL PRÉSTAMO SOLO DEBE HACERSE EN EL DESPACHO DEL PRESTAMISTA, EN LA COMPANIA DE TÍTULOS, O EN EL DESPACHO DE ALGÚN ABOGADO;

“(O) EL PRESTAMISTA PUEDE COBRAR CUALQUIER INDICE DE INTERÉS FIJO O VARIABLE AUTORIZADO POR LOS ESTATUTOS;

“(P) SOLO UN PRESTAMISTA LEGALMENTE AUTORIZADO PUEDE HACER PRESTAMOS DE ACUERDO CON LA SECCIÓN 50(a)(6), ARTICULO XVI, DE LA CONSTITUCIÓN DE TEJAS;

“(Q) PRESTAMOS INDICADOS EN LA SECCIÓN 50(a)(6), ARTICULO XVI DE LA CONSTITUCIÓN DE TEJAS DEBEN:

“(1) NO REQUERIR QUE USTED USE EL DINERO DEL PRÉSTAMO PARA OTRA DEUDA QUE NO ESTE GARANTIZADA POR SU HOGAR O PARA OTRA DEUDA QUE LE DEBA AL MISMO PRESTAMISTA;

“(2) NO REQUERIR QUE USTED CEDA SU SALARIO COMO GARANTÍA;

“(3) NO REQUERIR QUE USTED EJECUTE DOCUMENTOS QUE TENGAN ESPACIOS EN BLANCO PARA QUE OTROS LOS LLENEN;

“(4) NO REQUERIR QUE USTED FIRME UNA ADMISIÓN DE SENTENCIA O PODER A OTRA PERSONA PARA QUE ESA PERSONA HAGA LA ADMISIÓN DE SENTENCIA O PARA QUE SE PRESENTE EN ALGÚN PROCESO LEGAL EN SU NOMBRE;

“(5) DISPONER QUE USTED RECIBA COPIA DE TODOS LOS DOCUMENTOS QUE FIRME AL CONCLUIR EL TRÁMITE;

“(6) DISPONER QUE LOS DOCUMENTOS DE GARANTÍA INCLUYAN LA DECLARACIÓN QUE ESTE PRÉSTAMO ES PRÉSTAMO DEFINIDO POR LA SECCIÓN 50(A)(6), ARTICULO XVI, DE LA CONSTITUCIÓN DE TEJAS;

“(7) DISPONER QUE CUANDO EL PRÉSTAMO SE PAGUE TOTALMENTE, EL PRESTAMISTA FIRMARA Y LE DARÁ LA LIBERACIÓN DEL DERECHO PRENDARIO O LA CESIÓN DEL DERECHO PRENDARIO, CUALQUIERA DE LOS DOS QUE SEA APROPIADO AL CASO;

“(8) DISPONER QUE USTED PUEDA, DURANTE EL PLAZO DE 3 DÍAS DESPUÉS DE CONCLUIR EL TRÁMITE, DESHACER EL PRÉSTAMO SIN PAGAR CARGOS (MULTAS) NI COSTO ALGUNO;

“(9) DISPONER QUE USTED Y EL PRESTAMISTA RECONOCEN EL VALOR JUSTO DE MERCADO DE SU HOGAR EN LA FECHA DE CONCLUIR EL TRÁMITE DEL PRÉSTAMO

“(10) DISPONER QUE EL PRESTAMISTA PERDERÁ TODO PRINCIPAL E INTERÉS SI EL PRESTAMISTA NO CUMPLE CON SUS OBLIGACIONES DE PRESTAMISTA.”

AVISO ADICIONAL

EL AVISO ANTEDICHO DECLARA QUE SU PRESTAMISTA CASERO DE LA EQUIDAD NO PUEDE REQUERIRLE APLICAR LOS INGRESOS DE PRÉSTAMO A OTRA DEUDA QUE NO SEA ASEGURADA POR SU HOGAR. AUNQUE LA CONSTITUCIÓN DE TEJAS REQUIERE QUE EL AVISO INCLUYA ESTA DECLARACIÓN, LA DECLARACIÓN ESTÁ EN CONFLICTO CON OTRA DISPOSICIÓN DE LA CONSTITUCIÓN DE TEJAS. ESTA DISPOSICIÓN PERMITE QUE SU PRESTAMISTA CASERO DE LA EQUIDAD LA REQUIERA APLICAR LOS INGRESOS DE PRÉSTAMO A UNA DEUDA A OTRA PRESTAMISTA QUE NO SEA ASEGURADA POR SU HOGAR. ESTA DISPOSICIÓN ES CONTROLADA, Y USTED DEBE DESATENDER LA DECLARACIÓN CONTRARIA EN EL AVISO.

YO/NOSOTROS HE/HEMOS LEÍDO EL ACCESO ANTEDICHO, EL AVISO ADICIONAL Y RECONOZCO/RECONOCEMOS LA RECEPCIÓN DE UNA COPIA FIRMANDO ABAJO.

TODOS LOS PROPIETARIOS DEL HOGAR DEBEN FIRMAR Y FECHAR UN AVISO REFERENTE A LAS EXTENSIONES DEL CRÉDITO DEFINIDO POR LA SECCION 50(A)(6), ARTICULO XVI DE LA CONSTITUCIÓN DE TEJAS DESPUÉS DE QUE USTED

HAYA SOMETIDO UNA APLICACIÓN DE PRÉSTAMO ESCRITA AL REPRESENTANTE DEL PRESTAMISTA O DEL PRESTAMISTA. NO FIRME ESTA DOCUMENTO A MENOS QUE LA FECHA INDICADA ABAJO ESTÉ CORRECTA Y TAL FECHA ES POR LO

MENOS DOCE (12) DÍAS ANTES DE LA EJECUCIÓN DEL INSTRUMENTO DE LA NOTA Y DE LA SEGURIDAD. USTED DEBE RECIBIR UNA COPIA DE ESTE AVISO EN ESE ENTONCES DE QUE USTED FIRME.]

RECIBIDO POR EL INFRASCRITO EN LA FECHA INDICADA.

Fecha

Fecha

Fecha

Fecha

EXHIBIT N

**TEXAS HOME EQUITY
APPLICATION TO CLOSING
TIME LINE**

Jan.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
	*												**				***
Day	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16

- * Later of “submits application” or “provides notice”
- ** Eligible for closing
- *** Rescission period expires if closed on day 12 (Jan. 13th)

Loan submitted and notice provided on Jan. 1, allows closing on Jan. 13th (12 calendar days after both application and notice). According to the OCC rescission expires three (3) calendar (not business) days thereafter unless the third calendar day falls on a Sunday or legal holiday then the period would be extended to the next business day.

EXHIBIT O

LENDER:
BORROWERS:

PROPERTY:
LOAN NO:

TEXAS HOME EQUITY LOAN CLOSING INSTRUCTIONS ADDENDUM

IT IS THE RESPONSIBILITY OF THE SETTLEMENT AGENT TO SATISFY ALL THE REQUIREMENTS STATED HEREIN. THE DOCUMENTS AND CLOSING INSTRUCTIONS IN THIS ADDENDUM ARE NECESSARY FOR LIEN VALIDITY AND CAN NOT BE WAIVED BY ANY BORROWER, OWNER OR OWNER'S SPOUSE.

This Texas Home Equity Loan Closing Instructions Addendum ("Addendum") supplements and amends the Master Closing Instructions and Supplemental Closing Instructions ("Closing Instructions") attached hereto. In the event of a conflict, the instructions contained in this Addendum control.

SECTION I: ADDITIONAL DOCUMENTATION

A. In addition to the documentation listed in the Closing Instructions, the following documents are enclosed. These documents must be executed by Borrower in the order listed below. Except for the Texas Home Equity Election Not to Rescind (A.8 below) or unless indicated otherwise by Lender, all such documents must be dated as of the date of settlement. ALL BLANKS CONTAINED IN DOCUMENTS PREPARED BY THE SETTLEMENT AGENT MUST BE COMPLETED AT SETTLEMENT BEFORE BORROWER'S SIGNATURE. DO NOT ALLOW ANY BORROWER/OWNER/OWNER'S SPOUSE TO EXECUTE ANY LOAN DOCUMENT BEFORE THE DATE INDICATED ON THE NOTE. No alterations or erasures may be made to any legal documents. All documents requiring execution in the presence of a notary public shall be so executed and said notary shall complete the proper notary acknowledgment and affix the proper seal to such documents. If there is any question as to the identity of the person executing any document, the responsibility of determining that person's identity is that of the notary public and the Settlement Agent. Such documents are conditionally delivered to Settlement Agent only for loan settlement and should under no circumstances leave Settlement Agent's possession or control except for delivery to Lender unless Settlement Agent is in receipt of instructions otherwise from Lender. Powers of Attorney are not allowed unless specifically approved in writing by Lender. **BORROWER MUST BE GIVEN COPIES OF ALL DOCUMENTS BORROWER SIGNS AT CLOSING AFTER BORROWER SIGNS SAME AND BEFORE BORROWER LEAVES THE CLOSING. ALL FEES AND CHARGES REQUIRED TO BE PAID AND KNOWN BY SETTLEMENT AGENT MUST BE REFLECTED ON THE SETTLEMENT STATEMENT. THE SETTLEMENT STATEMENT OR A FEE AND CHARGE DISCLOSURE MUST BE FAXED TO LENDER FOR APPROVAL PRIOR TO CLOSING. AFTER LENDER APPROVAL, NO CHARGES OR FEES CAN BE ADDED TO THE SETTLEMENT STATEMENT WITHOUT LENDER'S WRITTEN CONSENT.**

1. **Written Acknowledgment as to Fair Market Value - A VALUE MUST BE FILLED IN BEFORE EACH PROPERTY OWNER SIGNS THE FORM. RETURN ORIGINAL TO LENDER. GIVE EACH PARTY A COPY.**
2. **Texas Home Equity Affidavit and Agreement** - Obtain all Property owner's and their spouse's signatures. If any party can not swear to each of the matters stated therein, do not proceed with the closing and immediately advise Lender. If necessary, the closing may be rescheduled to accommodate the requirement of the law. If they can swear to each of the matters therein, obtain their signatures. Each party must swear to the facts stated therein. Record original. Return two (2) certified copies to Lender. Give each party a copy after signature.
3. **Designation of Homestead Affidavit** - Obtain all Property owner's and their spouse's signatures. If any party can not swear to each of the matters stated therein, do not proceed with the closing and immediately advise Lender. If necessary, the closing may be rescheduled to accommodate the requirement of the law. If they can swear to each of the matters therein, obtain their signatures. Each party must swear to the facts stated therein. Record original. Return two (2) certified copies to Lender. Give each party a copy after signature.
4. **Texas Home Equity Notice of Right to Rescind** - All Property owners and their spouses must sign this form. Return signed original to Lender. Give each party a copy after signature.
5. **Texas Home Equity Note** - All indicated parties must sign. Return original and two (2) certified copies to Lender. Give each Borrower a copy after signature.

6. **Texas Home Equity Security Instrument** - All indicated parties must sign. File original in local Real Property records. Return two (2) certified copies to Lender. Give each Borrower a copy after signature.
7. **Receipt of Copies** - All indicated parties must sign. Return original to Lender. Give Borrower a copy after signature.
8. **Texas Home Equity Election Not to Rescind** - All indicated parties must sign this form, but only after three (3) business days have expired. On the fourth (4th) business day after closing, the parties, if they have elected not to rescind/cancel under either their federal Right to Cancel or their state Right to Rescind should return or fax this Election Not to Rescind to the Settlement Agent. This may not be dated or signed prior to the fourth (4th) business day after closing.

B. The following documents (if indicated) are also enclosed. Obtain the required signatures and return originals to Lender. Give copy after signature to Borrower: _____

(Required Documents)

1. **Notice Concerning Extensions of Credit (Spanish Version)** - All indicated parties must sign. Return original to Lender. Give each Borrower a copy after signature.
2. **Rural Homestead Affidavit** - All indicated parties must sign this and must swear to the facts stated therein. Return original to Lender. Give each Borrower a copy after signature.
3. **Acknowledgment Regarding Voluntary Repayment of Existing Debt** - All indicated parties must sign this form. Return original to Lender. Give Borrower a copy after signature.
4. **Discount Point Acknowledgment** - All indicated parties must sign this form. Return original to Lender. Give each Borrower a copy after signature.
5. **Affidavit of Milk Production on Homestead Property** - All Property owners, their spouses and any borrowers must sign this form and must swear to the facts stated therein. Return original to Lender. Give each Borrower a copy after signature.

SECTION II: ADDITIONAL REQUIREMENTS

The following conditions (if indicated) must be satisfied: _____

Prior to execution of the documentation:

(Required Conditions)

1. **Survey** - Obtain a survey according to the requirements of the Master Closing Instructions. Determine that said description matches the Property description used in the loan documents.
2. **Appraisal** - Attach to the Affidavit of Fair Market Value of the Homestead Property before Borrower's execution, a copy of the appraisal as provided to Settlement Agent. Give Borrower a copy with a copy of appraisal.
3. **Insured Closing Letter** - Provide Insured Closing Letter to Lender according to Texas Title Insurance Procedural Rules. Satisfied after funding:
4. **Title Insurance (Mandatory Endorsement)** - According to Procedural Rule P-44, add Equity Loan Mortgage Endorsement (T-42) to the Mortgagee Policy. Make no deletions thereto. Add subparagraph (f) of paragraph 2 to the Equity Loan Mortgage Endorsement (T-42) as allowed by Procedural Rule P-44.
5. **Title Insurance (Supplemental Coverage Endorsement)** - According to Procedural Rule P-47, add Equity Loan Mortgage Endorsement (T-42.1) to the Mortgagee Policy. Make no deletions thereto. Add the phrase "or in an adjoining county" after the phrase "described in Schedule A is located" in subparagraph (j) and (k) of paragraph 1 of the Supplemental Equity Loan Mortgage Endorsement (T-42.1) if (i) the land is located within the boundaries of an incorporated municipality, and (ii) the municipality is located in more than one county.

RECEIPT OF CLOSING INSTRUCTIONS

SUBJECT TO ANY LIMITATIONS IMPOSED BY PROCEDURAL RULE P-35 OF THE BASIC MANUAL OF TITLE INSURANCE IN THE STATE OF TEXAS, THE UNDERSIGNED AS AUTHORIZED AGENT FOR SETTLEMENT AGENT HEREBY ACKNOWLEDGES RECEIPT OF AND AGREES TO FOLLOW ALL THE TERMS CONTAINED IN THIS ADDENDUM TO THE SUPPLEMENTAL CLOSING INSTRUCTIONS, THE COMMITMENT FOR TITLE INSURANCE ISSUED FOR THIS LOAN AND THE MASTER CLOSING INSTRUCTIONS WHICH ARE INCORPORATED HEREIN BY REFERENCE PRIOR TO THE REQUEST FOR LOAN FUNDING, UNLESS OTHERWISE AUTHORIZED HEREIN. THIS ACKNOWLEDGEMENT DOES NOT OTHERWISE IMPLY A CERTIFICATION OR GUARANTY OF FACT, INSURANCE COVERAGE OR CONCLUSION OF LAW.

By:

(Settlement Agent Signature)
**[ORIGINAL SIGNATURE, NOT STAMP,
REQUIRED AS A CONDITION OF FUNDING.]**

Peirson & Patterson, L.L.P.

Texas Mortgage Loan Disclosure Matrix

Exhibit P

Mortgage Loan Disclosures	Consumer Privacy Policy Notice	Texas Finance Commission Complaint Filing Notice (s)	Texas Construction Notice (e)	Texas Home Equity Notice (f)	ECOA Adverse Action & Counteroffer	RESPA Servicing Disclosure	TILA Program Disclosure (a)	TILA Worst Case Disclosure (r)	RESPA Good Faith Estimate	TILA Charm Booklet (a)	TIL - Initial Estimated	Settlement Cost Booklet	Appraisal Notice	Important Notice to Home Loan Borrowers (English or Spanish) & HUD Approved Counselors (n)	Insurance Notice to Applicant (Single Premium Offer) (o)	Federal Insurance Consumer Protection Notice (p)	Flood Determination (j)	PMI-Lender Paid (if applicable)	Flood Notice	TIL - High Cost \ Section 32 Disclosure (l)	HUD-1 or HUD-1A (b)	Initial Escrow Statement (if escrows)	RESPA Notice of Transfer	PMI Disclosure Standard (if applicable)	TIL - Final	Texas Collateral Protection Insurance Notice (q)	Right to Cancel Notice (g)	HMDA Reportable Loan	
	1	1			Yes	2	2	6	3	3	3	3	3	3	3	3	4	4	4	5	6	6	6	6	6	6	6	6	6
1st Lien Purchase 1 - 4 Primary Residence	1	1			Yes	2	2	6	3	3	3	3	3	3	3	3	4	4	4		6	6	6	6	6	6		Yes	
1st Lien Refinance - No Cash Out 1 - 4 Primary Residence	1	1			Yes	2	2	6	3	3			3	3	3	3	4	4	4	5	6	6	6	6	6	6	6(c)	Yes	
1st Lien Const-One Time Closing 1 - 4 (Consumer) Primary Res.	1	1	2 or 4		Yes	2	2	6	3	3	3	3	3	3	3	3	4	4	4	5	6	6	6	6	6	6	6(d)	Yes	
1st Lien Construction-Temporary Subordinate Lien Purchase 1 - 4 Primary Residence	1	1	2 or 4		Yes	(k)	6	6	(k)		(k)	(k)	3	3	3	3	4		4	5	(k)			6	6				
Subordinate Lien Refinance 1 - 4 Primary Residence	1	1			Yes	2	6	3	3			3	3	3	3	3	4		4	5	6	6		6	6	6	(m)	Yes	
Subordinate Lien Const - Temporary 1 - 4 Primary Residence	1	1	2 or 4		Yes	6	6	(k)		(k)	(k)	3	3	3	3	3	4		4	5	(h,k)			6	6	6			
1st Lien Const - To Builder 1 - 4 Business Purpose					Yes								3			3	4		4						6				
1st Lien Purchase (g) 1 - 4 NOT Primary Residence	1	1			Yes	2		3			3	3	3			3	4	4	4		6	6	6	6	6	6		Yes	
1st Lien Refinance (g) 1 - 4 NOT Primary Residence	1	1			Yes	2		3			3					3	4	4	4		6	6	6	6	6	6		Yes	
Texas Home Equity 1st Lien	1	1		2(f)	Yes	2	2	6	3	3			3	3	n/a	3	4	4	4		6	6	6		6	6	6		
Texas Home Equity Subordinate Lien	1	1		2(f)	Yes	2	6	3	3				3	3	n/a	3	4		4		6	6			6	6	6		
Lot Loan (i)	1	1			Yes											3					6				6				
Rental Property (Business Purpose)					Yes								3			3	4	4	4				6			6		Yes	

Time Legend	Condition Legend
1 Before share w/ non-aff, but not later than loan contract.	(a) If ARM Loan.
2 At application.	(b) Settlement Agent prepares.
3 Within 3 business days of application.	(c) Unless Const to Perm or same lender refinanced with only closing costs included.
4 Before closing.	(d) Applicable if Refi Plus Improvements or Purchase Plus Improvements.
5 At least 3 business days before closing.	(e) Given by Builder before contract is executed and again by Lender before date of closing.
6 At closing.	(f) At least 12 days before closing.
	(g) If not occupied for more than 14 days during year by owner.
	(h) Although HUD-1 or IA is not required, in TX can not close until at least 12 days from date of application.
	(i) If to be built on within 2 years of purchase.
	(j) At least 10 days prior to closing.
	(k) Not subject to RESPA unless 1) construction lender will provide permanent financing or construction loan is for more than 2 years (unless loan is to bonafide builder) OR 2) part of loan is used to finance transfer of title.
	(l) If fees and points exceed 8% of adjusted amount financed (or Section 32 Dollar adjustment) or APR exceeds 10% over like term security.
	(m) Yes, if refi of purchase or home improvement. No, if refi of home equity.
	(n) If Texas property & 12% or greater interest rates for borrower's principal residence.
	(o) If Texas property and single premium credit insurance is offered.
	(p) If insured depository lender or affiliate solicits, offers or sells an insurance product or annuity to consumer.
	(q) If Texas property and lender requires borrower to pay for collateral protection insurance post closing when insurance not escrowed.
	(r) If the loan involves a variable interest rate for a consumer's principal dwelling and has a term of one year or less a lender must give a TIL disclosure which includes a "worst case disclosure" or in the alternative a TIL ARM program disclosure at time of loan application.
	(s) Requires banks, foreign banks, bank holding companies and trust companies to give notice re. how to file complaint when Privacy Policy notice is given to consumer. Title 7 TAC, Sect. 11.37 effective 1-15-02.

NOTE: This is a general summary. Call P&P for further explanation and detail.

EXHIBIT Q

AFTER RECORDING, RETURN TO:

Loan #

-----[Space Above This Line For Recording Data]-----

**EXTENSION OF CREDIT
MODIFICATION AGREEMENT
(TEXAS HOME EQUITY)**

This Extension of Credit Modification Agreement ("Agreement"), made this _____ day of _____, between _____,

("Borrower") and

("Lender"), amends and supplements the Texas Home Equity Security Instrument (the "Security Instrument"), dated _____ and recorded in _____, of the Real Property Records of _____ County, _____, and (2) the Note bearing the same date as, and secured by, the Security Instrument, which covers the real property described in the Security Instrument and defined therein as the "Property", located at

[Property Address]

the real property described being set forth as follows:

In consideration of the mutual promises and agreements exchanged, the parties hereto agree as follows (notwithstanding anything to the contrary contained in the Note or Security Instrument):

1. As of _____, _____, the amount payable under the Note and the Security Instrument (the "Unpaid Principal Balance") is U.S. _____, consisting of the amount(s) loaned to the Borrower by the Lender and any interest capitalized to date.
2. The Borrower promises to pay, subject to the limitations of non-recourse liability set forth in the Note and Security Instrument, the Unpaid Principal Balance, plus interest, to the order of the Lender. Interest will be charged on the Unpaid Principal Balance at the yearly rate of _____, from _____, _____. The Borrower promises to make monthly payments of principal and interest of U.S. _____, beginning on the _____ day of _____, _____, and continuing thereafter on the same day of each succeeding month until principal and interest are paid in full. The Borrower will make such payments at _____, _____ or at such place as the Lender may require.
3. Nothing in this Agreement shall be understood or construed to be a modification creating a violation or prohibited term of Section 50(a)(6) Article XVI of the Texas Constitution. It is the express intention of the Lender and Borrower to structure this Agreement to conform to the provisions of the Texas Constitution applicable to extensions of credit as defined by Section 50(a)(6), Article XVI of the Texas Constitution. If, from any circumstance whatsoever, any promise, payment, obligation or provision of this Agreement or any other loan document involving this Agreement transcends the limit of validity prescribed by applicable law, then any promise, payment, obligation or provision shall be reduced to the limit of such validity, or eliminated as a requirement if necessary for compliance with such law, and such document shall be automatically reformed without the necessity of the execution of any new amendment or new document. Except as otherwise specifically provided in this Agreement, the Note and Security Instrument will remain unchanged, and the Borrower and Lender will be bound by, and comply with, all of the terms and provisions thereof, as amended by this Agreement.

DO NOT SIGN IF THERE ARE BLANKS LEFT TO BE COMPLETED IN THIS DOCUMENT. THIS DOCUMENT MUST BE EXECUTED AT THE OFFICE OF THE LENDER, AN ATTORNEY AT LAW OR A TITLE COMPANY. YOU MUST RECEIVE A COPY OF THIS DOCUMENT AFTER YOU HAVE SIGNED IT.

Lender	Borrower
By: _____	Borrower
	Borrower
	Borrower

STATE OF _____ X
COUNTY OF _____ X

This instrument was acknowledged before me on the _____ day of _____, 20____ by
_____ of _____
[Name of Officer], [Title of Officer] [Name of Corporation Acknowledging]
a _____ corporation, on behalf of said corporation.
[State of Incorporation]

Notary Public – State of _____
Printed Name of Notary:

My Commission Expires:

STATE OF _____ X
COUNTY OF _____ X

Before me, the undersigned, a Notary Public in and for said County and State, on this day personally appeared

known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to
me that he/she/they executed the same for the purposes and consideration therein expressed and in the capacity(ies)
therein stated.

Given under my hand and seal of office, this _____ day of
_____, 20____.

Notary Public – State of _____
Printed Name of Notary:

My Commission Expires:

STATE OF _____ X
COUNTY OF _____ X

Before me, the undersigned, a Notary Public in and for said County and State, on this day personally appeared

known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he/she/they executed the same for the purposes and consideration therein expressed and in the capacity(ies) therein stated.

Given under my hand and seal of office, this _____ day of _____, 20____.

Notary Public – State of _____
Printed Name of Notary:

My Commission Expires: