

Quick Reference guide for Texas Home Equity (A6) loans, including general requirements when the loan is an A6, and common pitfalls.

Fannie Mae Approve Eligible Only

Occupancy and Property Eligibility:

- Only applies to owner-occupied refinances.
- Refinances of second homes and investment properties are not subject to A6 requirements.
- 1-unit dwelling only
- Condo and PUDs are allowed
- Manufactured homes are eligible only if they are classified as real property under Texas law and it satisfies all special Fannie Mae eligibility criteria for manufactured homes.)
- Escrow waivers and Escrow Hold backs are not permissible.

An A6 Cash-Out is defined as when the borrower receives cash-in-hand of \$0.01 (one penny) or more, and/or the borrower is paying off debt, and/or the borrower is paying off non-purchase money liens. (Same as agency cash-out definition)

New law as of January 1, 2018 allows for a borrower to do a standard Rate/Term even if the prior loan was an A6, as long as the new loan is not resulting in any cash to the borrower; a regular Rate and Term can be done without creating an A6 lien.

- TMS is only offering Texas A6 Cash-Out program.
- Texas A6 Cash-Out to Texas A6 Rate and Term is not permitted at this time.
- Texas A6 Cash-Out to Regular Rate and Term is not permitted at this time.

AUS will not determine whether the loan is an acceptable Texas A6. AUS must be run to meet agency guidelines (cash-out for cash-out and rate and term for no cash-out), regardless if Texas A6 or not.

To determine if an existing loan is an A6, review the following on Title:

- An existing first mortgage that is an A6 on title will be labeled as “**Texas Home Equity Security Instrument**” or similar language, and the borrower is refinancing to take out additional cash or do debt consolidation.
- A Vendor’s lien is a purchase money lien and is not an A6 lien.

Paying Off Purchase Money and Qualified Home Improvement Loans

You may pay off purchase money liens (1st, 2nd, 3rd, + lien position) and qualified home-improvement loans without creating an A6.

Common Pitfalls with Home Improvement Liens

- If a borrower contracts to build a pool and the cost is \$24,999.99 and the borrower takes a lien for \$25,000.00 to pay for the pool, you cannot pay this off without creating an A6. The \$0.01 extra is “cash-out.”
- In the same scenario if the construction cost and the loan are both \$24,999.99 you can pay this off as qualified home improvements without creating an A6.
- Review title for mechanics liens and condition for evidence of cost of construction.
- Not all home improvement loans result in a mechanics lien. If a 2nd or higher lien exists that is not listed as a vendor’s lien on title, condition for evidence of construction costs. Compare the construction cost invoice to the lien amount. If the construction cost is equal to or more than the lien amount, you can complete the transaction as a Rate/Term. If the construction cost is any value less than the lien, you cannot refinance this lien without creating an A6.

Subordinate Financing:

- You may subordinate existing liens to a non-A6 first lien.
- New subordinate financing on a Texas (A6) is not allowed.
- The CLTV must not exceed 80% CLTV for subordinate financing.

12 Day Cooling Off Period

All owners and spouses including non-purchasing spouses must sign the Notice Concerning Extension of Credit. An A6 loan may not close until the 13th day after all owners and non-purchasing spouses sign the Notice Concerning Extension of Credit.

Only one A6 Loan at a Time

If you are refinancing a first mortgage with an existing subordinate Texas Home Equity lien, the subordinate loan must be paid off in the refinance of the 1st.

Seasoning:

- Six (6) month title seasoning is required for all cash-out refinances (measured from previous Note date to application date).
- You can only refinance an A6 one time every year (twelve (12) month seasoning if borrower has a previous A6 on title).
- If there is an existing A6, you cannot close until the 366th day after that loan consummated. For this policy, consummation is the Note date of the existing loan.

Appraisal Requirements:

- Appraisal is always required.
- No PIW.
- Written acknowledgment of fair market value (signed at closing).
- Rural properties cannot exceed 100 acres.
- Urban properties cannot exceed 10 acres.
- Survey is required for all properties with adjacent land (must determine whether any adjacent land is separate).
- Urban properties must be served by municipal utilities, as well as fire and police protection.

Government loans and Texas A6 not allowed:

- No FHA or VA loans can be closed with cash-out in Texas.
- Not a penny back to the borrower in excess of Paid Outside of Closing (POCs).
- Buying out a spouse by divorce decree is not considered cash-out and is not considered an A6. (You must have a court order or decree.)

Closing requirements:

- Final CD and final 1003 must be presented to the borrower 24 hours prior to closing and borrower must sign acknowledgment of receipt during normal business hours. Closing may occur the business day after the receipt of the final CD and loan application signatures.
- Maximum fees cannot exceed 2% of the loan amount.

Max LTV/CLTV: 80%

Conditions:

Name	Description	Internal	External	Prior To
PTC - (Texas A6 Only) Approved Texas Attorney Review	All Closing Documents must be reviewed by Texas Approved Attorney prior to closing. Not applicable to Rate & Term Refinance Transactions.	Yes	Yes	Funding
PTC - (Texas A6 Only) Closing Documents	Borrower to be provided copies of all signed documents at the time of closing and acknowledge receipt of same.	Yes	Yes	Funding
PTC - (Texas A6 Only) Closing Location requirement	Loan must close in the office of an attorney or Title Company. No Mail closings permitted.	Yes	Yes	Funding
PTC - (Texas A6 Only) Final 1003 and Final HUD	Borrower must receive copy of final 1003 and Final CD Settlement no later than one day prior to close. Borrower must acknowledge receipt of both.	Yes	Yes	Funding
PTC - (Texas A6 Only) Home Equity Non-Purchasing Spouse	Non- Purchasing spouse to sign all Texas Home Equity documents.	Yes	Yes	Funding
PTC - (Texas A6 Only) Maximum Fees	Fees charged cannot exceed 2% of total Loan amount.	Yes	Yes	Funding
PTC - (Texas A6 Only) No Cash-Out Refinances	This refinance permits no cash back to borrower at closing.	Yes	Yes	Funding
PTC - (Texas A6 Only) Schedule B	Schedule B of Title commitment must contain T-42 and T-42.1 Endorsement to Title policy.	Yes	Yes	Funding
Texas (A6)- Appraisal - URAR	Completed URAR 1004 is required regardless if PIW is offered by AUS.	Yes	Yes	Docs
Texas (A6)- Cash-Out 12 Day Letter	Loan cannot close until completion of 12 day waiting period which begins when all property owners have signed & date Texas Constitutional Notice.	Yes	Yes	Docs
Texas (A6)- Mortgage Banker Disclosure	Completed with Originator name and NMLS ID and complete bottom section on how/when disclosure was delivered to the consumer.	Yes	Yes	Docs

Please refer to the Wholesale Conventional Overlay Matrix in the Resource Library for any Conventional Overlays.