

Freddie Mac Texas Home Equity 50(a)(6) and Non-Home Equity 50(a)(4)

PROGRAM SPECIFICATIONS	
Description	A Texas 50(a)(6) loan (home equity/ cash out refinance) is a loan originated in accordance with and secured by a lien permitted under the provisions of Article XVI, Section 50(a)(6) of the Texas Constitution, which allows a borrower to take equity out of a homestead property under certain conditions. A Texas 50(a)(4) (non-home equity) is a rate and term refinance of an existing Texas home equity (50(a)(6)) loan.
Channels	• Broker • Correspondent ○ Non-Delegated UW ○ Delegated UW
FICO	• 620 minimum qualifying credit score for all qualifying Borrowers.
UW Method	• Loan Product Advisor (LPA)
AUS Risk Class	• Accept
Eligible Terms	• 15Yr., 20Yr., 25Yr., and 30Yr. Fully Amortizing Fixed Rate • ARMs not permitted
Eligible Transaction Types	• Cash Out Refinance “Home Equity” (50(a)(6)) • No Cash Out Refinance “Non-Home Equity” (50(a)(4)) ○ Important: Zero cash back allowed • Note: Super Confirming Mortgages are permitted; if there is a conflict for any of the requirements, the more restrictive requirements will apply
Eligible Property Types	• 1-Unit Primary Residence ○ Located in the State of Texas ○ The Borrower’s Homestead ○ Rural Homestead : Maximum 100 acres ○ Urban Homestead: Maximum 10 acres Reminder: Property must also meet FHLMC guidelines for acreage • 1-Unit Primary Residence include: ○ 1 Unit Stick Built Homes (Attached or Detached), ○ Condominiums/PUDs ▪ Ineligible review: Properties that require PCS (Project Certified Submissions) ▪ Condominium Project review and general Condominium Project eligibility requirements. ○ PUDs (Attached or Detached), and ○ Multi-width Manufactured Housing. • Single width Manufactured Housing is not permitted
Ineligible Loan Characteristics	• Agricultural Exemptions • Non-Owner Occupants • Escrow Holdbacks • Energy Efficient Mortgages • Special Purpose Cash Out Refinance Mortgages • Title held as Tenants in Common • Title held as Tenants by the Entirety by unmarried Borrowers • Power of Attorney
Maximum LTV/TLTV/HTLTV	• Must not exceed 80% of the fair market value ○ Must be lower if necessary to comply with FHLMC provisions, as applicable
Maximum DTI	• Determined by LPA
Appraisals	A new full appraisal with interior/exterior inspection is required, regardless of the appraisal format recommended by AUS. • Property inspections and/or waivers are not permitted • Tax assessed values and exterior-only appraisals are not permitted.
Fees	Texas 50(a)(6) Loan fees paid by the Borrower may not exceed 2% of the original principal balance of the loan. The following fees are excluded from this 2% cap: • Appraisals performed by a third-party appraiser; • Property survey by a state registered or licensed surveyor;

	• A state-based premium for a mortgage policy of title insurance with endorsements established in accordance with state law, or • If a mortgage title policy is not issued, a title examination report if cost is less than the state base premium for a mortgage title policy without endorsements. • Bona-fide discount points. Important: For Wholesale and Correspondent transactions, Lender paid compensations is not counted towards the cap. Texas 50(a)(4) Loan fees paid by the Borrower may not exceed 3% of the original principal balance of the loan.
Refinance Options	Home Equity (50(a)(6)) • Cash out refinance of an existing purchase money • Cash out refinance of an existing 50(a)(6) • Notice Concerning Extensions of Credit required Non-Home Equity (50(a)(4)) • No Cash out (rate and term) refinance of an existing 50(a)(6) • Important Notice Concerning Refinancing a Home Equity Loan required • No cash out permitted except for actual closing costs and reserves required to finance the debt (zero dollars back to the borrower, no principal reductions permitted)
Non-Occupant Co-Borrowers	Not permitted; all Borrowers must occupy the subject property as their primary residence
AFR Texas Counsel	AFR requires the use of AFR's Texas counsel on all Texas 50(a)(6) and 50(a)(4) transactions: The Sandler Law Group ("SLG") 717 North Haywood Suite 1600 Dallas, TX 75201 phone 214-220-6300 email docs.support@midrid.com. • All Consumer Direct, Broker, Correspondent Table Funded and Correspondent Non-Delegated UW transactions when AFR prepares the closing package must show evidence that the file was reviewed and approved by SLG through a Pre Closing Review. • All Correspondent Non-Delegated UW transactions when the Correspondent prepares the closing package and all Correspondent Delegated UW transactions must show evidence that the file was reviewed and approved by SLG through a Post-Closing Review with a fully executed Legal and Compliance Attorney Opinion Statement. All charges for the review are the responsibility of the Lender.
One Year Prohibition	An equity or non-equity loan may not be closed before the first anniversary of the closing date of any other equity loan secured by the same homestead property. Section 50(a)(6) and 50(a)(4) prohibits an owner who has obtained an equity loan from: • refinancing the equity loan before one year has elapsed since the loan's closing date; or • obtaining a new equity loan on the same homestead property before one year has elapsed since the previous equity loan's closing date, regardless of whether the previous equity loan has been paid in full. When the borrower is refinancing an existing Texas Section 50(a)(6) into either an equity or non-equity loan, at least 12 months must have elapsed since any previous Texas Section 50(a)(6) mortgage secured by the homestead property was closed. Note: When the purpose of the loan is to change the rate and term of an existing Texas Section 50(a)(6) mortgage and the property is now located in a declining market, the borrower can finance only the unpaid principal balance of the existing mortgage (rounded up to the nearest \$100).
12 Day Disclosures	Each loan requires a "cooling-off" period of at least 12 business days prior to closing. The cooling-off period begins from the application date or the date that all borrowers, owners, spouses, etc. sign the Notice Concerning Extensions of Credit for home equity 50(a)(6) loans and the Important Notice Concerning Refinancing a Home Equity Loan for non-home equity 50(a)(4) loans. Both home equity and non-home equity loans may not be closed before the 12th business day after the lender provides the owner with the consumer disclosure on a separate instrument.
Forms	See FORMS Section in the Resource Center
OVERLAYS	
Follow all overlays outlined in the Freddie Mac Fully Amortizing Fixed Program Matrix <u>and</u>: • Home Equity Line of Credit (HELOCs) are not permitted • AFR does not permit the use of a Power of Attorney • AFR requires the use of AFR's Texas counsel on all Texas (50(a)(6) and 50(a)(4) transactions: The Sandler Law Group ("SLG") 717 North Haywood Suite 1600 Dallas, TX 75201 phone 214-220-6300 email docs.support@asurity.com. ○ All Broker, Correspondent Table Funded and Correspondent Non-Delegated UW transactions when AFR prepares the closing package must show evidence that the file was reviewed and approved by SLG through a Pre Closing Review. ○ All Correspondent Non-Delegated UW transactions when the Correspondent prepares the closing package and all Correspondent Delegated UW transactions must show evidence that the file was reviewed and approved by SLG through a Post-Closing Review with a fully executed Legal and Compliance Attorney Opinion Statement. All charges for the review are the responsibility of the Lender.	

- Condominiums/PUDs
 - Ineligible review: Properties that require PCS (Project Certified Submissions)