

Conforming Texas Cash-Out 50(a)(6)

General Description:

Conventional Conforming Fixed Rate loans originated under the Texas Constitution, Article XVI Section 50 (a)(6). These loans are made in accordance with the Texas law and Interpretive Authority adopted by the Texas Finance and Credit Union Commissions. Texas (a)(6) loans are cash out refinance transactions for properties located in the state of Texas on a borrower's primary residence.

Effective for all loans locked on or after: October 5, 2020

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| <ul style="list-style-type: none"> • Appraisal • Assumability • Borrowers (Eligible/Ineligible) • Cash Reserves • Closing Requirements • Condos/PUDs • Construction-to-Permanent • Credit History • Credit Scores • Documentation • Escrow Holdbacks • Escrows | <ul style="list-style-type: none"> • Fees • Geographic Restrictions • Gifts • Investment Properties • Leasehold • Legal Documentation • Lien Position • Loan Term • Maximum/Minimum Loan Amount • Maximum LTV/CLTV • Mortgage Insurance | <ul style="list-style-type: none"> • Non-Occupant Co-Borrower • Number of Loans/Properties • Occupancy • Properties (Eligible/Ineligible) • Qualified Mortgage (QM) • Ratios • Refinances • Seller Contribution • Subordinate Financing • Temporary Buydowns • Underwriting |
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APPRAISAL	<ul style="list-style-type: none"> • An appraisal with an interior and exterior inspection is required; form 1004 or 1073 must be used regardless of AUS findings. • Fannie Mae Property Inspection Waiver option (PIW) is ineligible. • Freddie Mac Minimum Assessment Feedback option (MAF) is ineligible. • The cost approach section on the appraisal must be completed on rural properties to determine the land to value ratio. • See Conforming Fixed Rate Product Description
ASSUMABILITY	<ul style="list-style-type: none"> • Not assumable
BORROWERS (ELIGIBLE/INELIGIBLE)	<p><u>Eligible</u></p> <ul style="list-style-type: none"> • Individuals only • All borrowers must have a Social Security number; a Tax I.D. number is not acceptable. • See Conforming Fixed Rate Product Description <p><u>Ineligible</u></p> <ul style="list-style-type: none"> • Inter vivos or “Living” revocable trusts • Foreign nationals and borrowers with diplomatic immunity • Co-signers and guarantors • Borrowers without social security numbers • Land contracts • Transactions with more than 4 borrowers
CASH RESERVES	<ul style="list-style-type: none"> • See Conforming Fixed Rate Product Description
CLOSING REQUIREMENTS	<p><u>General Guidelines</u></p> <ul style="list-style-type: none"> • Any borrower initiated conveyances of the property adding new owners must be completed at least 12 days before closing. Additionally, the new owners must receive the most recent version of the “Notice Concerning Extensions of Credit” at least 12 days before closing. • Only individuals on title may be on the Note. Non-titled spouses may not be on the Note. All the owners of the property including the owners’ spouses and common-law spouses must be ascertained.

CLOSING REQUIREMENTS (CONTINUED)	<ul style="list-style-type: none"> An (a)(6) loan may not be closed sooner than 12 months after the closing of the previous (a)(6) loan. There can only be one (a)(6) loan secured by the property at one time. All (a)(6) loans are subject to a 3 day right of rescission. Documentation must be provided to show that the property is the borrower’s homestead (i.e. property tax statement, homestead affidavit, etc.). Interest credit permitted; loan must fund by the 10th calendar day of the month preceding the first payment date. Limited Power of Attorney not permitted, all borrowers must sign all documents. Loans defined as “high cost” are not permitted. <p><u>Title Insurance</u></p> <ul style="list-style-type: none"> Title insurance policy written on Texas Land Title Association forms (standard or short form) including both of the following endorsements is required: <ul style="list-style-type: none"> T-42 Equity Loan Mortgage Endorsement T-42.1 Supplemental Coverage Equity Loan Mortgage Endorsement. The HUD-1/Closing Disclosure must expressly show the T-42 and T-42.1 endorsements. Paragraph 1(a) of the Supplemental Coverage Equity Loan Mortgage Endorsement must be part of the coverage, which means that the loan must be closed at an office of the title company issuing the policy. There may be no exceptions to or deletions from the coverage provided by Paragraphs 2(a) through (e) of the T-42 endorsement, and the endorsement must include the optional coverage provided by Paragraph 2(f), as well as additional coverage provided by Endorsement T-42.1. The title insurance policy cannot include language that: <ul style="list-style-type: none"> Excludes coverage for a title defect that arises because financed origination expenses are held not to be “reasonable costs necessary to refinance” or Defines the “reasonable costs necessary to refinance” requirement as a “consumer credit protection” law since the standard title policy excludes coverage when lien validity is questioned due to a failure to comply with consumer credit protection laws.
CONDOS/PUDS	Condos/PUDs must meet all eligibility requirements as published in the Fannie Mae/Freddie Mac Selling Guides; see Citizens Condo/PUD Requirements .
CONSTRUCTION-TO-PERMANENT	<ul style="list-style-type: none"> Permitted See the Appraisal Standards & Guidelines Chapter for Requirements. One-time close Modifications not permitted.
CREDIT HISTORY	<ul style="list-style-type: none"> See Conforming Fixed Rate Product Description
CREDIT SCORES	<ul style="list-style-type: none"> Minimum 620 regardless of AUS.
DOCUMENTATION	<ul style="list-style-type: none"> See Conforming Fixed Rate Product Description See Required Documents
ESCROWS	<ul style="list-style-type: none"> Escrow waivers permitted; see Rate Sheet for pricing adjustment.
ESCROW HOLDBACKS	<ul style="list-style-type: none"> See Conforming Fixed Rate Product Description
FEES	<ul style="list-style-type: none"> Effective with loans closing on/after January 1, 2018 the total of all lender fees may not exceed 2% of the loan amount.
GEOGRAPHIC RESTRICTIONS	<ul style="list-style-type: none"> Properties must be located in Texas and must be the borrower’s homestead primary residence. See the Correspondent website for state specific Geographic Restrictions.
GIFTS	<ul style="list-style-type: none"> Not permitted
INVESTMENT PROPERTIES	<ul style="list-style-type: none"> Not permitted

LEASEHOLD	<ul style="list-style-type: none"> Not permitted
LEGAL DOCUMENTATION	<ul style="list-style-type: none"> See Required Documents
LIEN POSITION	<ul style="list-style-type: none"> First lien position only
LOAN TERM	<ul style="list-style-type: none"> 10, 15, 20, 25 & 30 year only
MAXIMUM / MINIMUM LOAN AMOUNT	<ul style="list-style-type: none"> Conforming loan amounts only
MAXIMUM LTV/CLTV	<ul style="list-style-type: none"> 80% LTV/CLTV
MORTGAGE INSURANCE	<ul style="list-style-type: none"> Not required
NON-OCCUPANT CO-BORROWER	<ul style="list-style-type: none"> Not permitted
NUMBER OF LOANS/ PROPERTIES	<p><u>Number of Loans per Borrower</u></p> <ul style="list-style-type: none"> Citizens will make a total of 1 loan per borrower. <p><u>Number of Properties per Borrower</u></p> <ul style="list-style-type: none"> There is no limit on the number of properties owned and/or financed by the borrower, however only one property may be classified as the borrower's homestead.
OCCUPANCY	<ul style="list-style-type: none"> Owner occupied primary residence. Must be the borrower's Texas homestead. <ul style="list-style-type: none"> Texas (a)(6) loans require that the subject property be verified as the borrower's homestead. If the borrower owns only one property in Texas, even if it is a second home or investment property, it may be considered a Texas homestead. In order to prove that the property is not the borrower's homestead and the following documentation must be submitted: <ul style="list-style-type: none"> A copy of the borrower's most recently files tax return must be provided showing that the property has been a second home or investment property for the most recent 12 months AND The title company must verify that the property is not considered the borrower's homestead, and the borrower must submit an affidavit to that effect.
PROPERTIES (ELIGIBLE/INELIGIBLE)	<p><u>Eligible</u></p> <ul style="list-style-type: none"> 1-unit single family attached and detached. Fannie Mae/Freddie Mac approved Condo's and PUD's. The property must be the borrower's homestead. <p><u>Ineligible</u></p> <ul style="list-style-type: none"> Second homes Investment properties 2-4-unit properties See Conforming Fixed Rate Product Description for additional restrictions.
QUALIFIED MORTGAGE (QM)	<ul style="list-style-type: none"> All loans, regardless of loan product type sold to Citizens, must conform to Qualified Mortgage (QM) guidelines per Dodd Frank regulations.
RATIOS	<ul style="list-style-type: none"> As determined by AUS

REFINANCES	<ul style="list-style-type: none"> • The (a)(6) loan may not be used for or identified as a rate term refinance. • The (a)(6) loan may not be used to acquire the property. • A minimum 6 months seasoning of ownership is required. The borrower is ineligible if the property was purchased within the six month period preceding the disbursement date of the new mortgage. • LTV/CLTV is based on the current appraised value. If the property has been owned for less than 12 months and the appraisal shows a substantial increase in value from the original purchase price, the appraiser must document improvements on an Appraisal Addendum that support the increase or must document rapid increases in value within the market. • The mortgage may include the unpaid principal balance of the existing first mortgage, closing costs, prepaid items such as hazard insurance and property, discount points, the amount required to satisfy any outstanding subordinate mortgage liens and additional cash that the borrower may use for any purpose. • If there is an existing non (a)(6) second lien, the second mortgage must be subordinated to the new (a)(6) mortgage and must not exceed 80% CLTV. • The borrower's ownership interest may not be based on contract for deed, community property interest or homestead interest. • See Closing Requirements
SELLER CONTRIBUTIONS	<ul style="list-style-type: none"> • Not applicable
SUBORDINATE FINANCING	<ul style="list-style-type: none"> • New subordinate financing not permitted. Only existing non-(a)(6) subordinate liens permitted in conjunction with this product. The second mortgage must be subordinated to the new (a)(6) mortgage and must not exceed 80% CLTV. <ul style="list-style-type: none"> ◦ The security instrument is required to determine whether the existing subordinate financing is a non-(a)(6) subordinate lien. • An (a)(6) loan may not be closed sooner than 12 months after the closing of the previous (a)(6) loan, including when the previous (a)(6) loan was a subordinate lien. • The following are ineligible forms of subordinate financing and are not permitted in conjunction with this product: <ul style="list-style-type: none"> ◦ (a)(6) subordinate financing. ◦ Subordinate financing with wraparound terms, combining the indebtedness of the first mortgage with the subordinate mortgage. ◦ Subordinate financing that does not provide for either regular monthly payments of principal and interest, or interest only. ◦ Subordinate financing that allows for negative amortization. ◦ Terms of 5 years or less unless the financing fully amortizes prior to that time. ◦ Variable rate subordinate financing where the payment is not constant for each 12-month period, i.e. HELOC, balloons, etc. ◦ If the loan has a fixed rate, the terms may not be more than 2% below the market for FNMA second mortgages at the time of origination. • See Refinance section for paying off existing subordinate financing.
TEMPORARY BUYDOWNS	<ul style="list-style-type: none"> • Not permitted

UNDERWRITING

- Full Delegated Underwriting is permitted.
- Lenders should refer to their Citizens approval letter for approved delegated authority.

Automated Underwriting Systems (AUS)

- All loans must be underwritten through DU or LP/LPA and receive an Approve/Eligible or Accept only.

Manual Underwriting

- Not permitted

General Guidelines

- The Texas Constitution prohibits a lender from requiring that the proceeds from a (a)(6) loan be used to pay off any debts to that lender that are not secured by the homestead.
 - If the payoff of debts to lenders/creditors is required in order to qualify the borrower, then those payoffs must be closed and disbursed directly to the creditor by the title company
 - Debts that are elected for pay off by the borrower, but are not required to be paid off in order to qualify the borrower, may be disbursed directly to the borrower.
 - A loan used for consolidating debt must be originated as an (a)(6) loan even if the proceeds at closing are paid directly to the creditors and the borrower personally receives no cash from the transaction.
- See [Conforming Fixed Rate](#) Product Description