



PLAZA HOME MORTGAGE, INC.

FIXED JUMBO – Texas Home Equity Guidelines

Texas Equity Loans

The information below is specific to refinance transactions for properties located in the State of Texas. Refer to the Fixed Jumbo program guidelines in addition to these guidelines.

Loans secured by a first mortgage on homestead property in Texas that comply with Article XVI, Section 50(a) (6) and 50 (g) of the Texas Constitution (Texas Equity Loans) are eligible for the Fixed Jumbo program.

The Texas Equity Loan first mortgage may be the only outstanding Texas Equity Loan that is secured by the homestead property and at least 12 months must have elapsed since any previous Texas Equity Loan secured by the homestead property was closed.

The proceeds from a Texas Equity Loan first mortgage must not be used to acquire or improve the homestead if a mortgage for that purpose could have been made under authority of Article XVI, Sections 50(a)(1) through (5) of the Texas Constitution.

The following two types of first mortgage Loans secured by the Borrower's homestead are Texas Equity Loans and must meet the requirements of Article XVI, Section 50 (a)(6) and 50(g) of the Texas Constitution.

- A first mortgage rate/term refinance originated to pay-off an existing Texas Equity Loan regardless of whether the Borrower receives any cash out of the refinance proceeds. This is the "Once a Texas Equity Loan always a Texas Equity Loan" rule. Once a Borrower obtains a first or second lien Texas Equity Loan, subsequent refinancing of the homestead property is considered a Texas Equity Loan subject to all the requirements of Section 50(a) (6) of the Texas Constitution if any of the proceeds are used to pay off the existing Texas Equity Loan even if the Borrower does not receive any cash from the transaction.
- A first mortgage Cash-Out Refinance Mortgage or rate/term refinance if the Borrower receives any amount of cash at closing.

Reasonable closing costs may be included in the Loan amount, but any cash back to the Borrower makes the transaction a Texas Equity Loan.

Article XVI, Section 50(e) of the Texas Constitution provides that if a refinance Loan secured by homestead property includes the advance of more money than is necessary to pay off the existing debt, the lien is not valid unless (i) the Loan is treated as a Texas Equity Loan (ii) the additional funds are for "reasonable costs necessary to refinance" the debt being paid off, or (iii) the additional funds are for another purpose authorized by the Constitution.



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Loan Term & Program Code

| Loan Term | Program Name | Program Code |
|-----------|---------------------|--------------|
| 15 Yr | Fixed Jumbo 15 Year | FJ15 |
| 30 Yr | Fixed Jumbo 30 Year | FJ30 |

LTV/CLTV & Credit Score Tables: Rate/Term and Cash Out Refinance

| Primary Residence: Rate/Term Refinance and Cash Out Refinance | | | | |
|---|-----|------|--------------|-------------|
| Property Type | LTV | CLTV | Credit Score | Loan Amount |
| 1Unit | 80% | 80% | 700 | \$650,000 |

Maximum Cash Out:

- If the LTV/CLTV is > 65% and less than or equal to 80% LTV/CLTV: \$250,000
- If the LTV/CLTV is ≤ 65%: \$350,000

Declining Market

The subject property’s zip code must be entered into the investor’s Market Indicator tool. The following LTV/CLTV adjustments must be made according to the Market Code:

- A Market¹:** No LTV/CLTV reduction applies.
- B Market:** Reduce the maximum LTV/CLTV by 5%
- C Market:** Reduce the maximum LTV/CLTV by 10%
- D Market:** Reduce the maximum LTV/CLTV by 15%

¹ If the Market Indicator tool indicates the subject property is in an “A” market, but the appraiser notes in the appraisal report that the subject property is located in a submarket which is declining, the A market must be manually downgraded to a “B” market and a 5% LTV/CLTV reduction will apply.

Market Upgrade Option: A possible 5% LTV/CLTV increase may be applied up to the program maximum.

- Minimum 720 Credit Score
- Maximum DTI 35%
- SFR or PUD (Condos are not eligible)
- Rate/Term only
- Two full appraisals must be provided.
- Maximum combined loan amount of \$2,000,000

Cash out transactions are ineligible for a Market Upgrade



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Types of Financing

Texas Home Equity Restrictions

- Any Texas Section 50(a)(6) loan is always restricted to the provisions of Texas Section 50(a)(6) for all subsequent refinances of that loan.
- The title policy will reference Texas Section 50(a)(6).
- There can be only one outstanding Texas Section 50(a)(6) loan on a property at any given time.
- If the borrower has an existing Texas Section 50(a)(6) second lien and is getting cash-out from the first mortgage, that lien must be paid off.
- 12-month seasoning for any Texas Section 50(a)(6) loan (first or second).
- No seasoning requirement for first or second mortgages that are not Texas Section 50(a)(6) loans.
- If an existing Texas Section 50(a)(6) second lien is being subordinated and there is no cash-out from the first mortgage refinance, refer to an eligible first mortgage product summary for rate & term refinance guidelines. The second lien must be subordinated to the Plaza first mortgage and a subordination agreement must be executed. Borrower cannot be receiving any cash back from the first mortgage transaction.
- If paying off a second mortgage that is not a Texas Section 50(a)(6) second lien **AND** there is no cash out from the first mortgage, this would be considered a Texas Home Equity transaction.
- Financed closing and other costs (excluding prepaids) cannot exceed 3% of the principal amount of the loan. Bona fide discount points paid to the lender and used for reduction in interest rate do not need to be included in the 3%. Only fees to third parties (e.g. appraisal, title report, title insurance, and third party closing costs) may be passed through to the borrower. If closing costs are greater than 3%, fees must be reduced prior to closing.

Refunds to the borrower are not permitted.

- Premium pricing is permitted if disclosed to the borrower at time of initial application.

Texas Section 50(a)(6)

- A loan is a Texas Section 50(a)(6) if the first mortgage being paid off is a Texas Section 50(a)(6) loan even if the borrower is not getting any cash back from the refinance transaction. A second mortgage that is not a Texas Section 50(a)(6) loans that was used in whole to acquire the subject may be paid off.
- May include closing costs and prepaids
- If owned less than 12 months, LTV must be based on lower of appraised value or original sales price plus the cost of any documented improvements. If the value has increased greater than 15%, photographs of improvements are required.
- If owned more than 12 months, LTV is based on current appraised value. HUD-1 or Deed must be provided to verify ownership
- Properties listed for sale in the last 6 months (on or before application date) are not eligible for refinance transactions.



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Texas Section 50(a)(6)

- A loan is considered a Texas Section 50(a)(6) refinance if:
 - Paying off a first and/or second mortgage that is not a Texas Section 50(a)(6) loan **AND** is getting cash out from the refinance.
 - Paying off a first mortgage that is a Texas Section 50(a)(6) loan, is not getting any cash out **AND** is paying off a second lien that is not a Texas Section 50(a)(6) which was not used in whole to acquire the subject property.
 - Paying off a first mortgage that is not a Texas Section 50(a)(6) loan **AND** is paying off a second lien that is a Texas Section 50(a)(6) loan and:
 - The borrower is getting cash back from the refinance transaction OR
 - The borrower is not getting cash out but is paying off a second mortgage that was not used in whole to acquire the subject property.
- If owned less than 12 months, LTV must be based on lower of appraised value or original sales price plus the cost of any documented improvements. If the value has increased greater than 15%, photographs of improvements are required.
- If owned more than 12 months, LTV is based on current appraised value. HUD-1 or Deed must be provided to verify ownership.
- Properties listed for sale in the last 6 months (on or before application date) are not eligible for equity refinance transactions.
- Loan proceeds can be used to pay off secured debt or unsecured debt. Certain investor specific restrictions apply. Refer to Plaza Corporate Underwriting for details.
- Paying off loans that are not Texas Section 50(a)(6) but are defined as a cash out refinance based on investor guidelines are eligible for this product. Borrower cannot receive any cash back from the transaction

Occupancy

Primary residence only

Maximum Loan Amount

\$650,000

Minimum Loan Amount

\$417,001



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Eligible Property Types

The property must be classified as homestead under Texas law.

- One unit single family residence
- Planned Unit Development (PUD)
- Site Condos
- Maximum acreage is 10 acres. If adjacent property is owned, the file must show that the subject property is a separate parcel and does not include the additional lot.

Income/Assets/Reserves

Refer to the Jumbo Fixed program guidelines. **NOTE: IRS form 4506T must be processed and income verified for the most recent 2 years.**

Secondary Financing

- No new secondary financing is permitted.
- Third liens are not permitted
- HELOCs are not eligible as secondary financing.

Mortgage Docs

The following legal instruments are required to document Texas Equity Loans.

| Document Type | Fannie Mae/Freddie Mac Form#\ |
|---------------------|-------------------------------|
| Security Instrument | 3044.1 |
| Fixed-Rate Note | 3244.1 |
| PUD Rider | 3150.44 |
| Condominium Rider | 3140.44 |



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Other Required Documents

1. Each owner of the property and each spouse of an owner must sign the Texas Home Equity Affidavit and Agreement
2. Notice Concerning Extensions of Credit
 - A Texas Equity Loan may not be closed before the 12th calendar day after the later of (i) the date that the owner submits a Loan application to a lender, or (ii) the date that each owner signs the Notice Concerning Extensions of Credit disclosure b. Each Loan file must contain the Notice Concerning Extensions of Credit disclosure that is signed by each owner within the required timeframe. An acknowledgment signed by the owners at closing stating that they received the Notice Concerning Extensions of Credit disclosure at least 12 days prior to closing is not allowed.
3. Acknowledgment Regarding Fair Market value of Homestead Property
 - A written acknowledgment as to the fair market value of the homestead on the date the Texas Equity Loan is made is required to be signed by Plaza and the Owners.
 - An appraisal must be attached to the written acknowledgment
4. A Mortgagee Policy of Title Insurance (form T-2) is required. The policy must be supplemented by the following endorsements:
 - Equity Loan Mortgage Endorsement (form T-42), which must include the optional coverage provided by Paragraph 2(f); and
 - Supplemental Coverage Equity Loan Mortgage Endorsement (form T-42.1)
 - Deletions to the endorsements are not permitted
5. Survey—If the Borrower or Co-Borrower owns any adjacent land, the Loan file must contain a survey that shows the homestead property is a separate parcel that does not exceed the acreage permitted under the Texas Constitution.

A separate closing receipt signed by each property owner and each owner's spouse that itemizes the documents that he/she received at closing is recommended, but not required.



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Special Requirements/Restrictions

- Loan may not close until 12 days after the later of:
 - Receipt by the originator of a signed and dated loan application, OR
 - Receipt by the borrower of the "Notice Concerning Extension of Credit. NO EXCEPTIONS.NOTE: The date the borrower signs the document will be considered the receipt date.
- The borrowers must be provided a complete and accurate copy of the final HUD-1 or HUD-1A Settlement Statement no later than one business day prior to loan closing. Borrowers must sign Borrower's Certification of Receipt of Settlement Statement and the Accuracy Thereof at closing.
- Both spouses must execute the mortgage. However, both spouses are not required to be parties to the Promissory Note. All individuals on title and their spouses must sign all Texas Cash out documents.
- Borrowers must be provided a copy of all documents signed at closing and sign the Texas Home Equity Receipt of Copies. The documents may not contain blank spaces.
- All loans must contain a Texas Home Equity Loan Closing Instructions Addendum.
- Loans must be closed by an attorney or title company. No closings by mail or phone.
- The following forms must be executed and included in the final loan file:
 - Texas Home Equity Affidavit Agreement (Form #3185)
 - Texas Home Equity Discount Point Acknowledgement, if applicable.
 - Federal Notice of Right to Rescind
 - In addition to the borrower, Plaza must sign the Acknowledgement of Fair Market Value of Homestead property at closing with an appraisal attached to the Acknowledgment.
 - Notice of No Oral Agreements signed by Plaza and the borrower.
- Title Policy must include T42 and T42.1
- Power of Attorney not permitted.

Refer to the Fixed Jumbo program guidelines for all other requirements and restrictions not covered.