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*American Financial Resources, Inc.*



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## **Attention: AFR Lending Partners**

### **Topics in this edition of The AFR 411 include:**

- **Loan Level Price Adjustment Updates (Wholesale and Correspondent)**
- **Texas Home Equity Loan (Texas 50(a)(6)) Updates**

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### **Loan Level Price Adjustment Updates (Wholesale and Correspondent)**

Effective January 26, 2018, Government pricing has been updated for Broker and Correspondent loans with the following Loan Level Price Adjustments:

FICO 680-719*	0.375
FICO 660-679*	0.250
2 Unit	-0.500

\*Please note the new FICO buckets of 660-679 and 680-719.

### **Texas Home Equity Loans (Texas 50(a)(6))**

The state of Texas has amended its laws regarding Home Equity loans ("Texas 50(a)(6)"). AFR has adopted all the new Texas Home Equity laws (S.J.R. 60) that became effective on January 1, 2018 except for the home equity lines of credit updates (AFR does not permit HELOCs). These new laws provide significant changes to the existing Texas 50(a)(6) restrictions. Many of the same laws apply, i.e. 12-month seasoning, 80% LTV, Acknowledgment of Fair Market Value, etc.

### **Disclosures**

#### **Notice Concerning Extensions of Credit \*\*Updated**

The lender must provide the Updated Notice Concerning Extensions of Credit disclosure within 3 business days of the application dates and at least 12 days before closing on all Texas 50(a)(6)

loans with application dates on or after January 1, 2018. Reminder: AFR will not purchase any loans with Note dates of January 1 – January 13, 2018.

Please note, all loans currently in the pipeline that falls under the Texas Home Equity (50(a)(6) must be reviewed and borrower(s) must be provided with the revised Notice Concerning Extensions of Credit prior to closing. All loans received and disclosed prior to January of 2018 will not have the revised required disclosure. Closings cannot be scheduled until the borrower have received the revised Disclosures required under the new amendment.

Important Notice Concerning Refinancing a Home Equity Loan \*\*New

The lender must provide the borrower(s) the Important Notice Concerning Refinancing a Home Equity Loan within 3 business days of application and at least 12 days before the refinance is closed on all Texas 50(a)(6) loans refinancing into a non-home equity loan with application dates on or after January 1, 2018.

**Reminder:** All loans must comply with all Freddie Mac disclosure requirements.

**Changes to Fees**

Loan fees paid by the borrower may not exceed 2% of original principal balance of the loan, but excludes certain fees from being included in this cap. The following fees are now excluded:

- 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.

The table below details which fees are included in the fee calculation, but are not limited to:

Borrower Fees Included in the 2% Calculation		
Administrative Fee	Courier Fee	IBTS Fee

Assignment Fees	Credit Report Fee	Inspection Fee
Attorney Review Fee	Deed Restrictions Fee	IRS 4506-T Fee
AUS Fees	Discount Points (if not bona fide)	Processing Fee
Automated Employment Verification Fee	Document Preparation Fee	Origination Fee
Brokerage Fee	Engineer Certificate Fee	Property Tax Cert Fee
Closing/Settlement Agent Fee	Escrow Fee	Recording Fee
Commitment Fee	Escrow Waiver Fee	Underwriting Fee
Condo Questionnaire Fee	HOA Transfer Fee	Warehouse Fee

### Compliance Reports

All compliance reports must be reviewed for the State rules. All loans must pass the 2% loan fee cap.

### **Agricultural Homesteads**

The new law removes the provision prohibiting Home Equity Loans on a property with an agricultural exemption. As of January 1, 2018, Home Equity Loans can now be made on properties with agricultural exemptions in place at the time of closing.

### **Refinance Options**

The new law now allows for a refinance of a Home Equity Loan into a Non-Home Equity Loan.

### Home Equity Loan 50(a)(6) to a Non-Home Equity Loan 50(a)(4)

The previous “Once a Home Equity, Always a Home Equity” rule is now no longer in effect. As of January 1, 2018, provided all of the following conditions are met, a current Texas home equity loan may be refinanced into a non-home equity refinance (Texas 50(a)(4)):

- The refinance is not closed before the first anniversary of the date the home equity loan was closed;
- No cash out except actual closing costs and reserves required to finance the debt;
- The refinance of the extension of credit is of a principal amount that when added to the aggregate total of the outstanding principal balances of all valid encumbrances of record against the homestead does not exceed 80% of the homestead’s fair market value on the date of the refinance; and
- The lender provides the borrower(s) the Important Notice Concerning Refinancing a Home Equity Loan within 3 business days of application and at least 12 days before the refinance is closed.

## **Reminders**

- AFR permits Texas Home Equity loans with Freddie Mac financing. Fannie Mae financing will be available by the end of the 1<sup>st</sup> quarter of 2018.
- AFR requires Texas Counsel, MRG to review all title and prepare all closing documents.
- For Wholesale and Correspondent transactions, Lender paid compensations is not counted towards the 2% fee cap.
- All Freddie Mac requirements must also be met.