



2024 Report on Mortgage Lending in Texas



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Executive Summary

Texas is generally considered one of the states with the lowest cost of living and affordable housing in the United States.

Exhibit 1 illustrates the Texas residential mortgage loan volume (the number and dollar amount of loans) for home purchase loans, property tax loans, refinances, home improvement loans, home equity loans (cash-out refinances), and reverse mortgages from calendar years (CY) 2022 to 2023.

EXHIBIT 1 – TEXAS RESIDENTIAL MORTGAGE LOAN VOLUME			
Home Purchase Loan			
	CY2022	CY2023	YoY % change
Number of Loans	387,776	328,191	-15.37%
Amount of Loans	\$133,689,000,000	\$112,122,000,000	-16.13%
Property Tax Loan			
	CY2022	CY2023	YoY % change
Number of Loans	6,346	7,642	20.42%
Amount of Loans	\$92,185,081	\$114,390,538	24.09%
Refinance			
	CY2022	CY2023	YoY % change
Number of Loans	61,371	17,103	-72.13%
Amount of Loans	\$16,406,930,000	\$5,130,870,000	-68.73%
Home Improvement Loan			
	CY2022	CY2023	YoY % change
Number of Loans	22,393	17,496	-21.87%
Amount of Loans	\$3,102,785,000	\$2,117,720,000	-31.75%
Home Equity Loan (Cash-out Refinance)			
	CY2022	CY2023	YoY % change
Number of Loans	96,111	39,038	-59.38%
Amount of Loans	\$24,003,515,000	\$7,681,850,000	-68.00%
Reverse Mortgage			
	CY2022	CY2023	YoY % change
Number of Loans	3,807	2,060	-45.89%
Amount of Loans	\$707,185,000	\$339,260,000	-52.03%

Except for property tax loans, the number and dollar amount of residential mortgage loans significantly declined from CY2022 to CY2023. The decline in residential mortgage loan transactions is driven by several factors, including rising mortgage interest rates, appreciating home prices, housing supply issues, higher insurance costs, and reduced real median income.

Using the nationwide Home Mortgage Disclosure Act (HMDA) data, the Consumer Financial Protection Bureau (CFPB) reported that:

The Federal Housing Administration (FHA)-insured share of closed-end first-lien home purchase loans for 1-4 family, site-built, owner-occupied properties increased from 16.3 percent in 2022 to 19.8 percent in 2023. The Department of

Veterans Affairs (VA)-guaranteed share of such loans increased slightly to 10.6 percent in 2023. The overall government-backed share of such home purchase loans, including FHA, VA, Rural Housing Service, and Farm Service Agency loans, was 31.6 percent in 2023, up from 28.1 percent in 2022.

The FHA-insured share of closed-end refinance mortgages for first lien, 1-4 family, site-built, owner-occupied properties increased to 26.3 percent in 2023 from 10.4 percent in 2022, while the VA-guaranteed share of such refinance loans increased from 9.5 percent in 2022 to 12.1 percent in 2023.¹ (CFPB, 2024)

Purpose

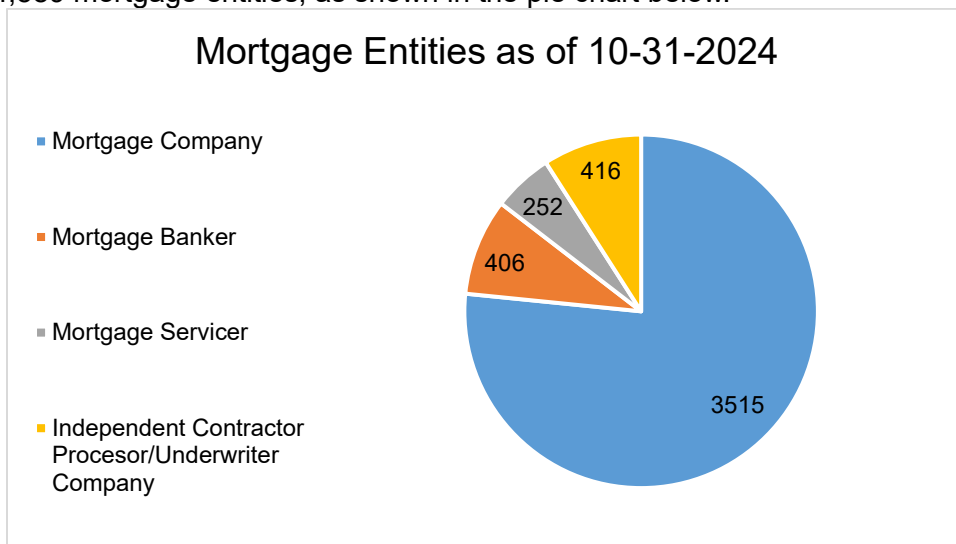
The purpose of this report is to fulfill the mandated constitutional requirement to report residential mortgage lending activity in Texas.

Specifically, Article XVI, Section 50(s) of the Texas Constitution provides that: “[t]he Finance Commission of Texas shall appoint a director to conduct research on the availability, quality, and prices of financial services and research the practices of business entities in the state that provide financial services under this section. The director shall collect information and produce reports on lending activity of those making loans under this section. The director shall report his or her findings to the legislature not later than December 1 of each year.”

Introduction

The Department of Savings and Mortgage Lending (SML) is a state regulatory agency with jurisdiction over the state savings banks and residential mortgage industries in Texas. In the state savings bank industry, SML supervises 20 state savings banks with assets totaling \$316.6 billion as of June 20, 2024.

In the mortgage industry, SML is responsible for licensing/registration and supervising residential mortgage loan companies, mortgage bankers, residential mortgage loan servicers, wrap lenders, and individual residential mortgage loan originators sponsored by mortgage companies/mortgage bankers. Based on Nationwide Multistate Licensing System & Registry (NMLS) records, SML regulates 4,589 mortgage entities, as shown in the pie chart below.



¹ [Summary of 2023 Data on Mortgage Lending | Consumer Financial Protection Bureau](#)

Mortgage companies and mortgage bankers are responsible for originating residential mortgage loans in Texas through licensed individual residential mortgage loan originators.

Depository institutions, mortgage bankers, and residential mortgage loan servicers mainly handle the servicing of residential mortgage loans.

The share of mortgages originated by non-depository, independent mortgage companies/bankers has increased in recent years. In 2023, this group of lenders accounted for 63.1 percent of first lien, 1-4 family, site-built, owner-occupied, closed-end home-purchase loans, an increase from 60.2 percent in 2022. Independent mortgage companies/bankers also originated 67.1 percent of first lien, 1-4 family, site-built, owner-occupied, closed-end refinance loans, up from 62.1 percent in 2022. (CFPB, 2024)²

Data Sources

The information collected in this report is from the following data sources:

- (1) the Home Mortgage Disclosure Act (HMDA) data reported by depository and non-depository institutions as required by Regulation C, 12 C.F.R. §1003.1 et seq., and maintained by the Consumer Financial Protection Bureau (CFPB);
- (2) the aggregated, anonymized mortgage call report data and NMLS data for non-depository mortgage companies and mortgage bankers licensed by or registered with SML;
- (3) the property tax lending and manufactured housing data from the Office of Consumer Credit Commissioner's (OCCC) Financial Services Activity Reports;
- (4) the Texas A&M Real Estate Center;
- (5) the Texas Department of Insurance; and
- (6) other publicly available information from reliable sources such as Housing and Urban Development, Department of Veterans Affairs, United States Department of Agriculture, Freddie Mae, Federal Reserve Bank of St. Louis, and Mortgage Bankers Association.

Unless otherwise indicated, the data used in this Report is based on Texas data.

Data Limitations

The HMDA and OCCC Financial Services Activity Report data include some loan data for residential properties (personal, family, or household purposes) that involve non-homestead properties (e.g. vacation homes).

On September 23, 2022, the United States District Court for the District of Columbia issued an order vacating the 2020 HMDA Final Rule as to the loan volume reporting threshold for closed-end mortgage loans. The decision means that the threshold for reporting data on closed-end mortgage loans is now 25 loans in each of the two preceding calendar years, which is the threshold established by the 2015 HMDA Final Rule, rather than the 100 loan threshold set by the 2020 HMDA Final Rule.³ (Woody Anglade, 2022).⁴ As the CFPB did not require companies to revise their closed-end mortgage loan data collected in 2020, 2021, and 2022 from 100 to 25 transactions, the closed-end mortgage data may be underreported for these years.

² [Consumer Financial Protection Bureau Summary of 2023 Data on Mortgage Lending](#)

³ [Changes to HMDA's closed-end loan reporting threshold | Consumer Financial Protection Bureau](#)

⁴ [Changes to HMDA's closed-end loan reporting threshold | Consumer Financial Protection Bureau](#)

Permissible Liens Against the Homestead in the Texas Constitution

Article XVI, Section 50(a)(1) – (a)(8) of the Texas Constitution only permits a security interest and possible forced sale of the homestead property in the following cases: (1) purchase money (home purchase loan); (2) ad valorem property taxes; (3) owelty of partition by a court order or by a written agreement of the parties to the partition, (4) refinance of a lien against the homestead including a payment of a federal tax lien resulting from the tax debt of both spouses, (5) home improvement, (6) home equity, (7) reverse mortgage, or (8) conversion and refinance of a personal property lien secured by a manufactured home to a lien on real property. The remainder of this report will provide details for each of these types of extensions of credit and include references to each paragraph of the Texas Constitution referenced above.

Purchase Money (Section 50(a)(1))

Overview

A home purchase loan or a purchase-money loan is a closed-end mortgage loan or an open-end line of credit that is for the purpose, in whole or in part, of purchasing a dwelling.⁵

A dwelling is a residential structure, whether or not attached to real property. The term includes a detached home, an individual condominium or cooperative unit, a manufactured home or other factory-built home, or a multifamily residential structure or community.⁶

A home purchase loan may be secured by a first-lien or junior-lien mortgage, with most being first-lien mortgages.

When purchasing a home, a borrower must take into account several factors, including the following:

1. the amount of the down payment saved;
2. the total cost of the loan, including interest, mortgage insurance premiums, and closing costs;
3. the interest rate (note rate and annual percentage rate);
4. the term of the loan (the number of payments); and
5. the purchase price of the home.

Excluding special programs offered by state or local housing agencies and special purpose credit programs, there are four types of home purchase loans - (1) conventional, (2) Federal Housing Administration (FHA); (3) Veterans Administration (VA); and (4) United States Department of Agricultural (USDA). FHA, VA, and USDA loans are loans insured or guaranteed by a government agency.

The most common home purchase loan is a conventional loan, which costs less than government-insured or government-guaranteed home loans but is more difficult to obtain (higher down payment and stricter credit terms).

If the borrower makes a down payment of less than 20 percent of the purchase price, the lender may require the borrower to pay an upfront and ongoing mortgage insurance premium. A

⁵ [Regulation C, 12 C.F.R. § 1003.2](#)

⁶ [Regulation C, 12 C.F.R. § 1003.2](#), [Regulation Z, 12 C.F.R. § 1026.2](#)

mortgage insurance premium is an amount paid by the borrower to protect the holder of the promissory note (the instrument where the borrower agrees to pay back the principal, interest, and other fees to the lender) in the case the borrower defaults on the loan where there is a deficiency balance owed by the borrower after the foreclosure sale.

Borrowers usually opt for a government-insured or government-guaranteed home loan when the borrower does not have the necessary down payment or credit history for a conventional loan.

FHA loans are home loans issued or guaranteed by the Federal Housing Administration. FHA loans require a lower down payment but require the payment of an upfront FHA mortgage insurance premium, which remains the same cost regardless of the borrower's credit score. FHA mortgage insurance also includes an ongoing mortgage insurance premium that is included in the cost of the borrower's monthly payment.

USDA loans are home loans issued or guaranteed by the United States Department of Agriculture. A USDA loan requires no down payment but is only offered to low-to-middle-income borrowers in rural areas. A USDA loan has an upfront and ongoing mortgage insurance premium similar to an FHA loan. To obtain a USDA loan, a borrower must:

- provide evidence of citizenship status (U.S. citizen, U.S. non-citizen national, or qualified alien);
- purchase a principal residence in an eligible rural area, which the USDA defines as having a population of fewer than 35,000 residents⁷;
- have a household adjusted income that does not exceed 115% of the median salary for the area where the home is purchased; and
- demonstrate the ability to repay the loan.

VA loans are guaranteed by the Department of Veterans' Affairs and are only for active-duty service members, veterans, and their surviving spouses. Unlike FHA and USDA loans, a VA loan does not have mortgage insurance premiums but has an upfront fee used to fund the program (funding fee). The amount of the funding fee varies on the following factors:

- the type of military service;
- the down payment amount;
- the disability status of the borrower;
- whether the borrower is buying a home or refinancing; and
- whether it is the borrower's first VA loan, or subsequent VA loan (i.e., the member has used part of their entitlement)

In lieu of the mortgage insurance premiums and funding fees, a lender may offer the borrower the ability to pay a portion of the purchase price of the home using a secondary mortgage loan (usually 5 to 15% of the purchase price) to avoid the cost and expense of upfront and ongoing mortgage insurance premiums and VA funding fees. This type of secondary mortgage loan is called a "piggy-back mortgage." Piggy-back mortgages have additional costs that may make them more costly and less attractive than an FHA, VA, or USDA home loan.

Another type of junior-lien home purchase loan is a wrap mortgage loan. A wrap mortgage loan is defined as "a residential mortgage loan:

(A) made to finance the purchase of residential real estate that will continue to be subject to an unreleased lien that:

⁷ [42 U.S.C. § 1490](#)

- (i) attached to the residential real estate before the loan was made; and
 - (ii) secures a debt incurred by a person other than the wrap borrower that was not paid off at the time the loan was made; and
- (B) obligating the wrap borrower to the wrap lender for payment of a debt the principal amount of which includes:
- (i) the outstanding balance of the debt described by Paragraph (A)(ii); and
 - (ii) any remaining amount of the purchase price financed by the wrap lender.⁸

Wrap mortgage loans have numerous restrictions and may be one of the most expensive home purchase loans.

Fees, Limitations, and Restrictions

Exhibit 2 – Home Purchase Loan contains key terms, limitations, and restrictions for home purchase loans.

EXHIBIT 2 HOME PURCHASE LOAN			
Maximum Loan Limit for single-family residential property (CY 2024)	FHA loan	\$498,257 to \$571,550, depending on the MSA (Texas) ⁹	
	VA loan	If full entitlement is available, none	If partial entitlement is available, the loan limit is \$766,550
	USDA loan	Market Value of the Property plus the up-front loan guarantee fee ¹⁰	
	Conventional loan	None, but Federal Housing Finance Agency establishes a maximum conforming loan limit of \$766,550 in Texas	
Maximum Interest Rate	18% ¹¹ (Texas law; however, some federal programs establish a lower rate)		
Required Waiting Period for Closing	7 business days ¹² unless there is a bona fide personal financial emergency		
Required Downpayment	FHA loan	Credit Score of 580 or higher	3.50% of the loan amount
		Credit Score of 500 to 579	10% of the loan amount
	VA loan	None	
	USDA loan	None	

⁸ Tex. Fin. Code, § 159.001(7)

⁹ [FHA Mortgage Limits List – FHA Forward \(Texas\)](#)

¹⁰ [7 C.F.R. §3555.103](#)

¹¹ Tex. Fin. Code, § 303.009 and § 342.301

¹² [Regulation Z, 12 C.F.R. § 1026.19\(a\)\(2\) and \(e\)\(1\)\(iii\)](#)

**EXHIBIT 2
HOME PURCHASE LOAN**

	Conventional loan	Usually, 5 to 20% of the loan amount
Charges and Fees	Texas – direct first-lien loan and junior-lien with an effective rate of 10% or less	Reasonable and customary amounts
	Texas – direct junior-lien loan with an effective rate greater than 10% (Tex. Fin. Code Ch. 342, Sub. G secondary mortgage loan)	For a closed-end secondary mortgage loan, the following fees ¹³ are permissible: (1) reasonable fees for: (A) title examination and preparation of an abstract of title by: (i) an attorney who is not an employee of the lender; or (ii) a title company or property search company authorized to do business in this state; or (B) premiums or fees for title insurance or title search for the benefit of the mortgagee and, at the mortgagor's option, for title insurance or title search for the benefit of the mortgagor; (2) reasonable fees charged to the lender by an attorney who is not a salaried employee of the lender for preparation of the loan documents in connection with the mortgage loan if the fees are evidenced by a statement for services rendered; (3) charges prescribed by law that are paid to public officials for determining the existence of a security interest or for perfecting, releasing, or satisfying a security interest; (4) reasonable fees for an appraisal of real property offered as security for the loan prepared by an appraiser who is not a salaried employee of the lender; (5) the reasonable cost of a credit report; (6) reasonable fees for a survey of real property offered as security for the loan prepared by a registered surveyor who is not a salaried employee of the lender; (7) the premiums received in connection with the sale of credit life insurance, credit accident and health

¹³ Tex. Fin. Code § [342.308](#)

**EXHIBIT 2
HOME PURCHASE LOAN**

		<p>insurance, or other insurance that protects the mortgagee against default by the mortgagor, the benefits of which are applied in whole or in part to reduce or extinguish the loan balance; or</p> <p>(8) reasonable fees relating to real property offered as security for the loan that are incurred to comply with a federally mandated program if a federal agency requires the collection of the fees or the participation in the program; and</p> <p>(9) an administrative fee, subject to Subsection I, in an amount not to exceed \$25 for a loan of more than \$1,000 or \$20 for a loan of \$1,000 or less.</p>
	FHA loan	<p>In addition to the up-front mortgage insurance premium of 1.75% of the loan balance, a lender may charge the borrower the following fees:</p> <ul style="list-style-type: none"> • origination fees • discount points • lock-in and rate lock fees • per diem interest • reasonable and customary fees to include recording fees, credit report, survey fees, title insurance/examination, appraisal.¹⁴
	VA loan	<p>A lender may charge the borrower the following fees and charges¹⁵:</p> <ul style="list-style-type: none"> • flat charge not exceeding 1 percent of the amount of the loan by the lender; • reasonable discount points; • VA funding fee; • appraisal fees (VA-approved appraisal only); • recording fees; • credit report fees;

¹⁴ [24 C.F.R. § 203.27](#) and [FHA Single Family Housing Policy Handbook](#)

¹⁵ [38 C.F.R. § 36.4313](#)

**EXHIBIT 2
HOME PURCHASE LOAN**

		<ul style="list-style-type: none"> • prepaid items for taxes, assessments, and similar items; • hazard insurance; • survey fees; • title examination and title insurance fees; • flood determination fee; • MERS fee; and • other fees authorized in advance by the VA.
	<p>USDA loan</p>	<p>The allowable fees and charges¹⁶ are:</p> <ul style="list-style-type: none"> • legal, architectural, and engineering fees; • title exam, title clearance and title insurance; • transfer taxes and recordation fees; • appraisal, property inspection, surveying, environmental, tax monitoring, and technical services; • homeownership education. • reasonable and customary loan discount points to reduce the note interest rate from the rate authorized in § 3555.104(a). • reasonable and customary non-recurring closing costs associated with the mortgage transaction that do not exceed those charged other applicants by the lender for similar transactions such as FHA-insured or VA-guaranteed first mortgage loans. If the lender does not participate in such programs, the loan closing costs may not exceed those charged other applicants by the lender for a similar loan program that requires conventional mortgage insurance or guarantee.

¹⁶ [7 C.F.R. §3555.101](#)

**EXHIBIT 2
HOME PURCHASE LOAN**

		<p>Allowable closing costs include the actual cost of credit reports, the loan origination fee, settlement fee, deposit verification fees, document preparation fees (if performed by a third party not controlled by the lender), and other reasonable and customary costs as determined by Rural Development. Payment of finder's fees or placement fees for the referral of an applicant to the lender is prohibited.</p> <ul style="list-style-type: none">• Reasonable connection fees, assessments, or the pro rata installment costs for utilities such as water, sewer, electricity and gas for which the borrower is responsible.• The prorated portion of real estate taxes that is due and payable on the property at the time of closing and to establish escrow accounts for real estate taxes, hazard and flood insurance premiums, and related costs.• The amount of the loan up-front guarantee fee required by § 3555.107(g).• The cost of establishing a cushion in the mortgage escrow account for payment of the annual fee required by § 3555.107(h), not to exceed 2 months.• If the seller or other third party pays any of the costs described in this section, the amount of the costs paid by the seller or other third party may not be included in the loan amount to be guaranteed.
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**EXHIBIT 2
HOME PURCHASE LOAN**

Late Fees	Texas law	First-lien subject to DIDMCA ¹⁷	No limits
		Junior Lien with an effective rate of 10% or less	Greater of 5% of the payment amount or \$7.50 after 10 days after the due date ¹⁸
		Junior-lien with an effective rate greater than 10%	5% of the payment amount after 10 days after the due date ¹⁹
	FHA loan ²⁰ and VA loan ²¹	4% of the past due amount that is 15 days after the due date	
Maximum Term of the Loan	Texas law	None	
	FHA loan ²²	30 years	
	USDA loan ²³	30 years	
	Conventional loan	None	
Required State Disclosures	If a wrap mortgage was obtained to purchase the homestead property, the wrap disclosure required by Tex. Fin. Code, § 159.101.		
Balloon Payment Permissible	Texas law	Yes, unless prohibited by federal law.	
	FHA, ²⁴ VA, ²⁵ and USDA loans ²⁶	No	
Housing Counseling Required	No, except if the loan is a high-cost mortgage loan		
Right of Rescission	None		
Prepayment Penalty Allowed	Texas	First-lien mortgage and junior-lien mortgage loans with an effective rate of 10% or less	No, if the interest rate on a loan for property that is or is to be the residential homestead of the borrower is greater than 12 percent a year, a prepayment penalty may not be collected on the loan unless the penalty is

¹⁷ [Tex. Fin. Code, § 302.103](#)

¹⁸ [Tex. Fin. Code, § 302.001\(d\)](#)

¹⁹ [Tex. Fin. Code, § 342.302](#)

²⁰ [24 C.F.R. §203.25](#)

²¹ [38 C.F.R. §36.4212\(d\)](#)

²² [24 C.F.R. § 203.17\(d\)](#)

²³ [7 C.F.R. §3555.104\(b\)](#)

²⁴ [24 C.F.R. §203.21](#)

²⁵ [38 C.F.R. §36.4211](#)

²⁶ [7 C.F.R. §3555.104](#)

EXHIBIT 2 HOME PURCHASE LOAN			
			required by an agency created by federal law. ²⁷ (Federal law may prohibit the prepayment penalty)
		Texas – direct junior-lien loan with an effective rate greater than 10% (Tex. Fin. Code, Ch. 342, Sub. G secondary mortgage loan)	No ²⁸
	FHA ²⁹ , VA, ³⁰ and USDA loans ³¹	No	
Negative Amortization	No ³²		

Loans Made Statistics

Exhibit 3 includes the lending activity for home purchase loan transactions over the past five calendar years.

EXHIBIT 3 Home Purchase Loan – Loans Made Statistics per calendar year					
	CY2019	CY2020	CY2021	CY2022	CY2023
Number of Loans	378,368	433,069	451,879	387,776	328,191
Amount of Loans	\$94,117,115,000	\$114,662,000,000	\$135,961,000,000	\$133,689,000,000	\$112,122,000,000
Average Loan Amount	\$248,744.91	\$264,766.12	\$300,879.22	\$344,758.31	\$341,636.43
Average Closing Costs	\$6,054.05	\$6,304.46	\$6,657.45	\$8,515.63	\$23,051.68
Average Interest Rate	4.46%	3.39%	3.24%	5.02%	6.48%

Source: HMDA Data – CFPB

²⁷ Tex. Fin. Code, § [302.102](#)

²⁸ Tex. Fin. Code, § [342.502](#)

²⁹ [24 C.F.R. §203.22](#)

³⁰ [38 C.F.R. § 36.4211](#)

³¹ [7 C.F.R. § 3555.104](#)

³² [7 C.F.R. §3555.104](#)

From CY2022 to CY2023, the number and dollar amount of home purchase loans made in Texas declined 15.37% and 16.13%, respectively. The decline in home purchase loans is primarily attributable to the increasing mortgage interest rates and restrictive housing supply.

The most significant change from CY2022 to CY2023 was the sudden increase in closing costs from \$8,515.63 to \$23,051.68. Although the exact reasons for the rapid rise in closing costs are unknown, some factors attributed to the rapid increase in closing costs are higher homeowner's insurance premiums (21.2% rate increase) and higher origination fees and discount points. Approximately 10.5% of the change in closing costs was attributable to the rise in the dollar amount of origination fees and discount points from CY2022 to CY2023, as shown in Exhibit 4.

EXHIBIT 4				
ORIGINATION AND DISCOUNT POINT INCREASES FROM CY22 TO CY23				
	Calendar Year 2022	Calendar Year 2023	Dollar Increase	Year-over-year change%
Origination Fees	\$ 3,355.83	\$ 3,772.49	\$ 416.66	12.42%
Discount Points	\$ 4,002.86	\$ 5,110.51	\$ 1,107.65	27.67%

Source: HMDA Data – CFPB

The rise in discount points from 2022 to 2023 was highlighted in the CFPB's [Data Spotlight: Trends in discount points amid rising interest rates](#). The CFPB's analysis revealed:

- The majority of recent borrowers paid discount points, including nearly 9 out of 10 borrowers with cash-out refinances.
- More borrowers paid discount points as interest rates increased.
- Borrowers with lower credit scores were more likely to pay discount points.

Property Tax Loan (Section 50(a)(2))

Overview

While Texas has no state property tax, local governments set tax rates and collect property taxes to provide many local services, including schools, roads, police, and fire protection.

When a consumer is unable to pay the outstanding property taxes owed on the homestead property, the consumer can enter into a loan to pay the property taxes, and the lender may secure the loan using the consumer's homestead property. The payment of property taxes can occur in a home purchase loan, refinance, home improvement loan, home equity loan; however, a property tax loan is the most common type of loan used to pay delinquent property taxes.

A property tax loan is: "an advance of money: (A) in connection with a transfer of lien under Section 32.06, Tax Code, or a contract under Section 32.065, Tax Code; (B) in connection with which the person making the transfer arranges for the payment, with a property owner's written consent, of property taxes and related closing costs on behalf of the property owner in accordance with Section 32.06, Tax Code; and (C) that is secured by a special lien against property transferred from a taxing unit to the property tax lender and which may be further secured by the lien or security interest created by a deed of trust, security deed, or other security instrument."³³

³³ [Tex. Fin. Code, § 351.002\(2\)](#)

With the consent of the property tax owner, a property tax lender is allowed to transfer and assume the special lien created by the taxing units of the property.

On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property, whether or not the taxes are imposed in the year the lien attaches. The lien exists in favor of each taxing unit having power to tax the property.³⁴

A tax lien against the real property is automatic and is perfected without any further action by the taxing unit. A tax lien on real property tax takes priority over a homestead interest in the property and virtually all other liens or encumbrances on the property including first and junior purchase-money loans.³⁵

A property owner may authorize a third party to pay the real property owner's property tax in exchange for a tax lien on the property which is transferred to the third party from the taxing unit(s).³⁶ This authorized, private third party pays the taxes of another and is referred to as a "property tax lender" or a "transferee." The loan that secures the transfer of a tax lien, reasonable closing costs, recording fees, and interest is called a "property tax loan."

A property tax loan is secured by a special lien against the property which is transferred from the taxing authority to the property tax lender and which may be further secured by the lien, or security interest created by a deed of trust, security deed, or other security instrument.

A property tax loan may not be made if:

1. the property owner, at the time of the property tax loan, is 65 years of age or older;³⁷
2. the sworn document authorizing the transfer of the tax lien from the taxing unit is not signed and obtained by the property tax lender;³⁸
3. the taxes are not delinquent at the time of the property tax loan, and the property is not subject to another recorded lien;³⁹
4. the taxes are neither due nor delinquent at the time of the property tax loan, and the property is not subject to another recorded lien;⁴⁰
5. the real property subject to the property tax loan has been financed, wholly or partly, with a grant or below-market rate loan provided by a governmental program or nonprofit organization and is subject to the covenants of the grant or loan;⁴¹ or
6. the real property subject to the property tax loan is encumbered by a lien recorded under Chapter 214, Subchapter A, of the Texas Local Government Code as a substandard or dangerous structure⁴².

³⁴ [Tex. Tax Code, § 32.01](#)

³⁵ [Tex. Tax Code, § 32.05](#)

³⁶ [Tex. Tax Code, § 32.06\(a-1\)](#)

³⁷ [Tex. Tax Code, § 32.06\(a-3\)](#)

³⁸ [Tex. Tax Code, § 32.06\(a-7\)](#)

³⁹ [Tex. Tax Code, §§ 32.06\(a-2\) and 32.06\(a-7\)](#)

⁴⁰ [Tex. Tax Code, §§ 32.06\(a-2\) and 32.06\(a-7\)](#)

⁴¹ [Tex. Tax Code, § 32.06\(a-8\)](#)

⁴² [Tex. Tax Code, § 32.06\(a-8\)](#)

Fees, Limitations, and Restrictions

Exhibit 5 – Property Tax Loans contains key terms, limitations, and restrictions for property tax loans.

EXHIBIT 5	
PROPERTY TAX LOANS	
Maximum Loan Limit (Funds Advanced) ⁴³	The maximum property tax loan amount is limited to the Funds Advanced, which includes the following items: <ul style="list-style-type: none"> • taxes, penalties, interest, and collection costs paid as shown on the tax receipt; • expenses to record the lien; and • reasonable closing costs.
Maximum Interest Rate	18% ⁴⁴
Required Waiting Period for Closing	None
Maximum Closing Costs ⁴⁵ (residential only)	The general maximum fee for closing costs is \$900. In addition to the general maximum fee, a property tax lender may have additional fees, including: <ul style="list-style-type: none"> • Additional Parcel Fee: If a property tax loan includes the payment of taxes for more than one parcel of real property, then the property tax lender may charge up to \$100 for each additional parcel of property. • Title Defect Fee: If one or more documents must be prepared in order to address a defect in title on the real property subject to the property tax loan, then the property tax lender may charge a reasonable fee for costs directly incurred in preparing, executing, and recording any necessary documents. • Bona-fide Discount Points (restrictions apply)
Late Fees ⁴⁶	5% of the scheduled installment if any part of the installment remains unpaid after the 10 th day after the date the installment is due, including Sundays and holidays.

⁴³ [Tex. Tax Code, § 32.06\(e\)](#)

⁴⁴ [Tex. Tax Code, § 32.06\(e\)](#)

⁴⁵ [Tex. Tax Code, § 32.06\(a-4\)](#) and 7 Tex. Admin. Code § 89.601

⁴⁶ [Tex. Tax Code, § 32.06\(e-2\)](#)

EXHIBIT 5
PROPERTY TAX LOANS

Maximum Term of the Loan	There is no maximum term for a property tax loan; however, the term usually varies from one to several years.
Required State Disclosures	<p>Property Tax Pre-Closing Disclosure⁴⁷ (initial disclosure given to the borrower),</p> <p>Disclosure of the Type and Approximate Cost Range for Each Additional Charge⁴⁸,</p> <p>Sworn Document Authorizing Transfer of Tax Lien⁴⁹ (authorization by the consumer to authorize the transfer of the tax lien), and</p> <p>Certified Statement of Transfer of Tax Lien⁵⁰ (the document transferring the tax lien from the taxing unit to the property tax lender)</p>
Balloon Payment Permissible	Yes
Housing Counseling Required	There is no requirement for housing counseling on property tax loans.
Right of Rescission	Yes ⁵¹
Prepayment Penalty ⁵² Allowed	No
Negative Amortization	No
Key Restrictions and Limitations	<p>There are several other important restrictions and limitations on property tax loans, including:</p> <ul style="list-style-type: none"> • Restrictions on post-closing and servicing fees⁵³ • Judicial foreclosure required⁵⁴ • Special rights of redemption after foreclosure⁵⁵

⁴⁷ [Tex. Tax Code, § 32.06\(a-4\)\(1\)](#) and [7 Tex. Admin. Code § 89.504](#)

⁴⁸ [Tex. Tax Code, § 32.06\(a-5\)](#), and [§ 32.065\(f\)](#)

⁴⁹ [Tex. Tax Code, § 32.06\(a-1\)](#) and [7 Tex. Admin. Code § 89.701](#)

⁵⁰ [Tex. Tax Code, § 32.06\(b\)](#) and [7 Tex. Admin. Code § 89.702](#)

⁵¹ [Tex. Tax Code, § 32.06\(d-1\)](#)

⁵² [Tex. Fin. Code, § 301.002\(a\)\(15\)](#) defines a "prepayment penalty" as "consideration agreed on and contracted for a discharge of a loan, other than a loan governed by Chapter 306, before its maturity or a regularly scheduled date of payment, as a result of an obligor's election to pay all of the principal amount before its stated maturity or a regularly scheduled date of payment."

⁵³ [Tex. Fin. Code, § 351.0021](#) and [Tex. Tax Code, § 32.06\(e-1\)](#)

⁵⁴ [Tex. Tax Code, § 32.06\(c\)](#)

⁵⁵ [Tex. Tax Code, § 32.06\(k\) and \(k-1\)](#)

Loans Made Statistics

Exhibit 6 includes the lending activity for residential property tax loan transactions over the past five calendar years.

EXHIBIT 6					
Property Tax Loan – Loans Made Statistics per calendar year					
	CY2019	CY2020	CY2021	CY2022	CY2023
Number of Loans	9,352	7,747	6,216	6,346	7,642
Amount of Loans	\$121,523,608	\$100,259,930	\$109,552,754	\$92,185,081	\$114,390,538
Average Loan Amount	\$12,994.00	\$12,942.00	\$17,624.00	\$14,526.00	\$14,969.00
Average Closing Costs	\$777.00	\$822.00	\$672.00	\$830.00	\$758.00
Average Interest Rate	13.32	13.09	12.71	12.99	14.00

Source: OCCC Financial Services Activity Reports

From CY2022 to CY2023, the number and dollar amount of property tax loans made in Texas increased 20.42% and 24.09%, respectively. These numbers appear to be in line with the volume over the past five calendar years.

Owely of Partition by a Court Order or Written Agreement (Section 50(a)(3))

Overview

Texas law permits an owner of homestead property to obtain a loan to pay off another owner so long as the partition is against the entirety of the property and is imposed by a court order or written agreement of the parties.⁵⁶ An owely lien is most often created as a result of divorce proceeding where real property is awarded to one spouse in the divorce decree and the other spouse receives an owely lien to eventually compensate that spouse for their equitable portion. An owely lien can also be created as a result of a probate proceeding or family settlement agreement to resolve ownership of real property in favor of one heir and avoid partition of the property.

As the number and dollar amount of these transactions are isolated in the HMDA data, the actual number or dollar amount of these mortgage loans over the past five years is unclear. Most of these mortgage loans are reflected in the home purchase and refinance numbers.

⁵⁶ [Tex. Prop. Code, § 41.001](#) and Tex. Const., Art. XVI, Sec. 50(a)(3)

Refinance of Lien – (Section 50(a)(4))

Overview

Refinancing means a closed-end mortgage loan or an open-end line of credit in which a new, dwelling-secured debt obligation satisfies and replaces an existing, dwelling-secured debt obligation by the same borrower.⁵⁷

Most refinances involve a purchase loan transaction being refinanced into a new mortgage loan. Except for some loan terms and closing cost limitations, refinance loans have similar terms, restrictions, and limitations as imposed on home purchase loans, as found in Exhibit 1.

One notable refinance transaction involves the refinance of a home equity loan into a rate-term refinance. A refinance of a home equity loan may not be secured by a valid lien against the homestead unless either:

- (1) the refinance of the debt is a home equity loan or a reverse mortgage (there is a one-year waiting period from the date of the closing of previous home equity loan before a new home equity loan may be made); or
- (2) a rate and term refinance of the home equity loan that satisfies all of the following conditions:
 - (A) one year from the date of the home equity loan was closed has lapsed;
 - (B) the advance of any additional funds includes only:
 - (i) funds advanced to refinance a debt described by Subsections (a)(1) through (a)(7) of this section (excluding additional cash or cash equivalent to the borrower); or
 - (ii) actual costs and reserves required by the lender to refinance the debt;
 - (C) 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 other indebtedness secured by valid encumbrances of record against the homestead does not exceed 80 percent of the fair market value of the homestead on the date the refinance of the extension of credit is made; and
 - (D) the lender provides the owner a [prescribed written notice](#) on a separate document not later than the third business day after the date the owner submits the loan application to the lender and at least 12 days before the date the refinance of the extension of credit is closed.⁵⁸

Loans Made Statistics

Exhibit 7 includes the lending activity for refinance transactions over the past five calendar years.

EXHIBIT 7					
Refinance of Lien – Loans Made Statistics per calendar year					
	CY2019	CY2020	CY2021	CY2022	CY2023
Number of Loans	107,018	401,549	353,312	61,371	17,103
Amount of Loans	\$28,814,615,000	\$106,101,000,000	\$90,547,785,000	\$16,406,930,000	\$5,130,870,000

⁵⁷ Regulation C, 12 C.F.R. § 1003.2

⁵⁸ Tex. Const. Art. XVI, Sec. 50(f) and [7 Texas Administrative Code §153.45](#)

Average Loan Amount	269250.1729	\$264,229.27	\$256,282.79	\$267,340.11	\$299,998.25
Average Closing Costs	\$4,404.21	\$4,214.70	\$4,213.14	\$5,565.55	\$7,694.92
Average Interest Rate	3.96%	3.03%	2.76%	3.82%	6.78%

Source: HMDA Data – CFPB

From CY2022 to CY2023, the number and dollar amount of refinance loans made in Texas declined 72.13% and 68.73%, respectively. The decline in refinance transactions was primarily attributed to the increasing mortgage interest rates and the fact that borrowers refinanced their loans at substantially lower rates in CY2020 and CY2021.

Home Improvement Loan (Section 50(a)(5))

Overview

A home improvement loan means a closed-end mortgage loan or an open-end line of credit that is for the purpose, in whole or in part, of repairing, rehabilitating, remodeling, or improving a dwelling or the real property on which the dwelling is located.⁵⁹

Exhibit 8 – Home Improvement Loan contains key terms, limitations, and restrictions for home purchase loans.

EXHIBIT 8 HOME IMPROVEMENT LOAN			
Maximum Loan Limit for single-family residential property and manufactured home that qualifies as real property (CY 2024)	FHA loan	Title I (single family) ⁶⁰	\$25,000
		Title I (manufactured home considered as real property) ⁶¹	\$25,090
	Conventional loan	None, but Federal Housing Finance Agency establishes a maximum conforming loan limit of \$766,550 in Texas.	
Maximum Interest Rate	18% ⁶² (Texas law; however, some federal programs establish a lower rate)		
Required Waiting Period for Closing	Federal: 7 business days, ⁶³ unless there is a bona fide personal financial emergency		

⁵⁹ [Regulation C, 12 C.F.R. §1003.2](#)

⁶⁰ [24 C.F.R § 201.10](#) and [FHA Single Family Housing Policy Handbook](#)

⁶¹ [24 C.F.R § 201.10](#) and [FHA Single Family Housing Policy Handbook](#)

⁶² Tex. Fin. Code, §§ 303.009, 342.301, and 345.056

⁶³ [Regulation Z, 12 C.F.R. § 1026.19\(a\)\(2\) and \(e\)\(1\)\(iii\)](#)

**EXHIBIT 8
HOME IMPROVEMENT LOAN**

	<p>Texas: 5 days after the owner makes a written application for any extension of credit for the work and material, unless the work and material are necessary to complete immediate repairs to conditions on the homestead property that materially affect the health or safety of the owner or person residing in the homestead and the owner of the homestead acknowledges such in writing</p>	
<p>Charges and Fees</p>	<p>Texas – direct first-lien loan and junior-lien with an effective rate of 10% or less</p>	<p>Reasonable and customary amounts</p>
	<p>Texas – direct junior-lien loan with an effective rate greater than 10% (Tex. Fin. Code, Ch. 342, Sub. G secondary mortgage loan)</p>	<p>For a closed-end secondary mortgage loan, the following fees⁶⁴ are permissible:</p> <p>(1) reasonable fees for:</p> <p style="padding-left: 40px;">(A) title examination and preparation of an abstract of title by:</p> <p style="padding-left: 80px;">(i) an attorney who is not an employee of the lender; or</p> <p style="padding-left: 80px;">(ii) a title company or property search company authorized to do business in this state; or</p> <p style="padding-left: 40px;">(B) premiums or fees for title insurance or title search for the benefit of the mortgagee and, at the mortgagor's option, for title insurance or title search for the benefit of the mortgagor;</p> <p>(2) reasonable fees charged to the lender by an attorney who is not a salaried employee of the lender for preparation of the loan documents in connection with the mortgage loan if the fees are evidenced by a statement for services rendered;</p> <p>(3) charges prescribed by law that are paid to public officials for determining the existence of a security interest or for perfecting, releasing, or satisfying a security interest;</p> <p>(4) reasonable fees for an appraisal of real property offered as security for the loan prepared by an appraiser who is not a salaried employee of the lender;</p> <p>(5) the reasonable cost of a credit report;</p> <p>(6) reasonable fees for a survey of real property offered as security for the loan prepared by a registered surveyor who is not a salaried employee of the lender;</p>

⁶⁴ [Tex. Fin. Code § 342.308](#)

**EXHIBIT 8
HOME IMPROVEMENT LOAN**

		<p>(7) the premiums received in connection with the sale of credit life insurance, credit accident and health insurance, or other insurance that protects the mortgagee against default by the mortgagor, the benefits of which are applied in whole or in part to reduce or extinguish the loan balance; or</p> <p>(8) reasonable fees relating to real property offered as security for the loan that are incurred to comply with a federally mandated program if a federal agency requires the collection of the fees or the participation in the program; and</p> <p>(9) an administrative fee, subject to Subsection (c), in an amount not to exceed \$25 for a loan of more than \$1,000 or \$20 for a loan of \$1,000 or less.</p>	
	<p>Texas – retail installment contract subject Tex. Fin. Code, Ch. 345</p>	<p>For a closed-end retail installment contract, the following fees⁶⁵ are permissible:</p> <ul style="list-style-type: none"> • recording fees paid to a public official • official fees for a construction permit or the filing or recording of a construction permit • title insurance or title examination as established by the Tex. Dept. of Insurance • appraisal fees paid to a non-salaried employee of the holder • credit report fee • document preparation fees paid to a licensed Texas attorney; and • debt cancellation fee 	
	<p>FHA loan</p>	<p>Title I</p>	<p>For Title I property improvement loans, there is no upfront mortgage insurance premium, but there is a mortgage insurance premium collected in annual installments of 1 percent of the original loan amount.</p> <p>Financeable Fees and Charges (if financed, cannot exceed maximum loan amount)⁶⁶</p> <ul style="list-style-type: none"> • an origination fee, not to exceed amount allowed for points and fees in HUD's regulations at § 203.19(b)(1) (Origination expenses for document preparation,

⁶⁵ [Tex. Fin. Code, § 345.005](#)

⁶⁶ [24 C.F.R. §201.25](#) and [FHA Single Family Housing Policy Handbook](#)

**EXHIBIT 8
HOME IMPROVEMENT LOAN**

			<p>copying, processing, underwriting, and courier fees and similar origination expenses are part the origination fee and must not be charged separately. <u>The payment of a third-party origination fee is acceptable, but the fee must not be charged to the borrower.</u>);</p> <ul style="list-style-type: none"> • fees for architectural and engineering services; • building permits; • the credit report; • a fee for the services of a qualified third-party closing agent to act on behalf of a lender in closing a direct loan transaction; • title examination; • fees for determining whether the Property is in a flood zone; • recording fees, recording taxes, filing fees, and documentary stamp taxes; and • a fee for inspection of the property by a Lender or its agent, not to exceed \$250.
Late Fees	Texas law	First-lien subject to DIDMCA ⁶⁷	No limits
		Junior Lien with an effective rate of 10% or less	Greater of 5% of the payment amount or \$7.50 after 10 days after the due date ⁶⁸
		Junior-lien with an effective rate greater than 10%	5% of the payment amount after 10 days after the due date ⁶⁹
		Retail installment contract subject to Chapter 345 of the Tex. Fin.	Lesser of 5% of the installment or \$5 after the installment remains unpaid after the 10 th day after the due date

⁶⁷ [Tex. Fin. Code, § 302.103](#)

⁶⁸ [Tex. Fin. Code, § 302.001\(d\)](#)

⁶⁹ [Tex. Fin. Code, § 342.302](#)

**EXHIBIT 8
HOME IMPROVEMENT LOAN**

		Code (junior-lien only)	
	FHA loan	The late charge shall not exceed the lesser of 5% of principal and interest, up to a maximum of \$10 per installment, or the maximum amount permitted by applicable State law after the installment has been past due for 15 days after the due date. ⁷⁰	
Maximum Term of the Loan	Texas law	None	
	FHA loan	Title I (single family) ⁷¹	20 years and 32 days
		Title I (manufactured home) ⁷²	15 years and 32 days
	Conventional loan	None	
Required State Disclosures	Home Improvement Contract Disclosure ⁷³ Disclosures and Notices required by Ch. 53 of Tex. Prop. Code ⁷⁴		
Balloon Payment Permissible	Texas law	Yes, unless prohibited by federal law. ⁷⁵	
	FHA loan	Title I ⁷⁶	Yes, final payment may not exceed 1.5 times the regular installment
Housing Counseling Required	No, except if the loan is a high-cost mortgage loan		
Right of Rescission	Yes ⁷⁷		
Prepayment Penalty Allowed	Texas	First-lien mortgage and junior-lien mortgage loans with an effective rate of 10% or less	No, if the interest rate on a loan for property that is or is to be the residential homestead of the borrower is greater than 12 percent a year, a prepayment penalty may not be collected on the loan unless the penalty is required by an agency created by federal law. ⁷⁸

⁷⁰ [24 C.F.R. § 201.15](#) and [FHA Single Family Housing Policy Handbook](#)

⁷¹ [24 C.F.R. §201.11](#) and [FHA Single Family Housing Policy Handbook](#)

⁷² [24 C.F.R. §201.11](#) and [FHA Single Family Housing Policy Handbook](#)

⁷³ [Tex. Prop. Code, § 41.007](#)

⁷⁴ [Tex. Prop. Code, Ch. 53](#)

⁷⁵ [7 Tex. Admin. Code § 83.708](#)

⁷⁶ [24 C.F.R. § 201.14](#)

⁷⁷ [Tex. Const., Art. XVI, Sec. 50\(a\)\(5\)\(C\)](#)

⁷⁸ [Tex. Fin. Code, § 302.102](#)

EXHIBIT 8 HOME IMPROVEMENT LOAN			
			(Federal law may prohibit the prepayment penalty)
		Texas – direct junior-lien loan with an effective rate greater than 10% (Tex. Fin. Code, Ch. 342, Sub. G secondary mortgage loan)	No ⁷⁹
	FHA loan	No ⁸⁰	
Negative Amortization	No ⁸¹		
Location of Closing Limitation	Yes ⁸² , a home improvement loan may be closed only at an office of the lender, an attorney at law, or a title company.		
Key Restrictions and Limitations	Written contract for the work and material required ⁸³		

Loans Made Statistics

Exhibit 9 includes the lending activity for home improvement transactions over the past five calendar years.

EXHIBIT 9 Home Improvement Loan – Loans Made Statistics per calendar year					
	CY2019	CY2020	CY2021	CY2022	CY2023
Number of Loans	18,075	16,602	16,586	22,393	17,496
Amount of Loans	\$1,819,745,000	\$1,908,610,000	\$2,230,830,000	\$3,102,785,000	\$2,117,720,000
Average Loan Amount	\$100,677.46	\$114,962.66	\$134,500.78	\$138,560.49	\$121,040.24
Average Closing Costs	\$2,069.24	\$1,456.22	\$1,670.27	\$1,595.59	\$1,246.51
Average Interest Rate	5.34%	4.19%	3.78%	5.06%	7.56%

Source: HMDA Data – CFPB

⁷⁹ [Tex. Fin. Code, § 345.502](#)

⁸⁰ [24 C.F.R. § 201.17](#)

⁸¹ [Tex. Fin. Code, § 342.002](#) and [24 C.F.R. § 201.13](#)

⁸² [Tex. Const., Art. XVI, Sec. 50\(a\)\(5\)\(D\)](#)

⁸³ [Tex. Const., Art. XVI, Sec. 50\(a\)\(5\)\(B\)](#)

From CY2022 to CY2023, the number and dollar amount of home improvement loans made in Texas decreased by 21.87% and 31.75%, respectively. The decline in home improvement loans was attributable to the increasing mortgage interest rates and rising costs for home improvement projects (labor and material costs).

Home Equity Loan (Section 50(a)(6))

Overview

Home equity loans allow borrowers to use the equity accumulated in their homestead as collateral for a loan. The loan amount is determined by the value of the property and may not exceed 80% of the fair market value of the home. The fair market value of the homestead must be determined and agreed to, in writing, by both the borrower and lender. A borrower may set the loan up as a revolving line of credit instead of a lump sum payment, known as a home equity line of credit (HELOC).

Borrowers may not take out a home equity loan before the first anniversary (minimum of 365 days) of the closing date of any existing home equity loan that is secured by the same homestead property, unless the homestead is located in an area declared by the president or the governor to be in a state of disaster.⁸⁴ Borrowers may only have one home equity loan against an existing homestead at any given time.⁸⁵ Borrowers must wait at least 12 days before closing the home equity loan. Under certain conditions, a rate and term-only refinance is allowed, and the loan would then lose its status as a home equity loan.⁸⁶

Borrowers must own their home and have accumulated enough equity to borrow against it. Lenders should not lend based solely on the value of the home. Credit scores and debt-to-income ratios are also considered to ensure borrowers have enough income to repay the home equity loan.

Fees, Limitations, and Restrictions

Exhibit 10 – Home Equity Loan contains key terms, limitations, and restrictions for home equity loans and home equity lines of credit.

EXHIBIT 10 HOME EQUITY LOANS and HOME EQUITY LINES OF CREDIT	
Maximum Loan Limit ⁸⁷	The maximum home equity loan amount or advance on a home equity line of credit is limited to 80% of the fair market value of the homestead on the date of the extension of credit is made minus the aggregate total of the outstanding principal balances of all other indebtedness secured by valid encumbrances of record against the homestead.

⁸⁴ [7 Tex. Admin. Code § 153.14](#)

⁸⁵ [Tex. Const., Art. XVI, Sec 50\(a\)\(6\)\(K\)](#)

⁸⁶ Preamble for 7 TAC §153.45

⁸⁷ [Tex. Const., Art. XVI, Sec. 50\(a\)\(6\)\(B\)](#), [7 Tex. Admin. Code § 153.3](#), and 7 Tex. Admin. Code § 153.86

**EXHIBIT 10
HOME EQUITY LOANS and HOME EQUITY LINES OF CREDIT**

Maximum Interest Rate ⁸⁸	18% ⁸⁹		
Required Waiting Period for Closing	12-day waiting period ⁹⁰ <ul style="list-style-type: none"> • An equity loan may not be closed before the 12th calendar day after the later of the date that the owner submits an application for the loan to the lender or the date that the lender provides the owner a copy of the required consumer disclosure. • The equity loan may be closed at any time on or after the 12th calendar day after the later of the date that the owner submits an application for the loan to the lender or the date that the lender provides the owner a copy of the required consumer disclosure. 		
Maximum Closing Costs ⁹¹	The maximum closing costs cannot exceed two percent of the original principal amount of the extension of credit, excluding fees for: <ul style="list-style-type: none"> • an appraisal performed by a third-party appraiser, • a property survey performed by a state registered or licensed surveyor, • a state base premium for a mortgagee policy of title insurance with endorsements established in accordance with state law, or a title examination report if its cost is less than the state base premium for a mortgagee policy of title insurance without endorsements established in accordance with state law, • per diem interest; and • reasonable and bona fide discount points. 		
Late Fees	Texas law	First-lien subject to DIDMCA	No limits
		Junior Lien with an effective rate of 10% or less	Greater of 5% of the payment amount or \$7.50

⁸⁸ [Tex. Const., Art. XVI, Sec. 50\(a\)\(6\)\(O\)](#) and [7 Tex. Admin. Code § 153.16](#)

⁸⁹ [Tex. Fin. Code, § 303.009](#) and [§ 342.301](#)

⁹⁰ [Tex. Const., Art. XVI, Sec. 50\(a\)\(6\)\(M\)\(i\)](#) and [7 Tex. Admin. Code §153.12](#)

⁹¹ [Tex. Const., Art. XVI, Sec. 50\(a\)\(6\)\(E\)](#) and [7 Tex. Admin. Code § 153.5](#)

EXHIBIT 10
HOME EQUITY LOANS and HOME EQUITY LINES OF CREDIT

			after 10 days after the due date
		Junior-lien with an effective rate greater than 10%	5% of the payment amount after 10 days after the due date
Maximum Term of the Loan	<p>A closed-end home equity loan has no maximum term; however, it is usually a 10, 15, or 30-year term.</p> <p>A home equity line of credit has a draw and repayment period. During the draw period, a consumer must only pay the accrued interest (principal payments are permitted). After the draw period (repayment period), the installments must be scheduled to be paid in substantially equal amounts.⁹²</p>		
Required State Disclosures	Consumer Disclosure (Home Equity Disclosure) ⁹³		
Balloon Payment Permissible	No ⁹⁴		
Housing Counseling Required	No, except if the loan is a high-cost mortgage loan.		
Right of Rescission	Yes ⁹⁵		
Prepayment Penalty ⁹⁶ Allowed	No ⁹⁷		
Negative Amortization	No ⁹⁸		
Location of Closing Limitation	Yes ⁹⁹ , an equity loan may be closed only at an office of the lender, an attorney at law, or a title company.		
Key Restrictions and Limitations	<p>There are several other important restrictions and limitations on home equity loans and home equity lines of credit, including:</p> <ul style="list-style-type: none"> • Required voluntary consent of each owner and each owner's spouse¹⁰⁰ • Nonrecourse of the deficiency balance after the foreclosure sale¹⁰¹ • No additional real or personal property as collateral other than the homestead property¹⁰² • Number of equity loans limited to one at a time¹⁰³ 		

⁹² [Tex. Const., Art. XVI, Sec. 50\(t\)\(8\)](#) and [7 Tex. Admin. Code § 153.88](#)

⁹³ [Tex. Const., Art. XVI, Sec. 50\(g\)](#) and [7 Tex. Admin. Code § 153.51](#)

⁹⁴ [Tex. Const., Art. XVI, Sec. 50\(a\)\(6\)\(L\)\(i\)](#) and [7 Tex. Admin. Code § 153.11](#)

⁹⁵ [Tex. Const., Art. XVI, Sec. 50\(a\)\(6\)\(Q\)\(viii\)](#) and [7 Tex. Admin. Code § 153.25](#)

⁹⁶ [Tex. Fin. Code, § 301.002\(a\)\(15\)](#) defines a "prepayment penalty" as "consideration agreed on and contracted for a discharge of a loan, other than a loan governed by Chapter 306, before its maturity or a regularly scheduled date of payment, as a result of an obligor's election to pay all of the principal amount before its stated maturity or a regularly scheduled date of payment."

⁹⁷ [Tex. Const., Art. XVI, Sec. 50\(a\)\(6\)\(G\)](#) and [7 Tex. Admin. Code § 153.7](#)

⁹⁸ [Tex. Const., Art. XVI, Sec. 50\(t\)\(8\)](#) and [7 Tex. Admin. Code § 153.88](#)

⁹⁹ [Tex. Const., Art. XVI, Sec. 50\(a\)\(6\)\(N\)](#) and [7 Tex. Admin. Code § 153.15](#)

¹⁰⁰ [Tex. Const., Art. XVI, Sec. 50\(a\)\(6\)\(A\)](#) and [7 Tex. Admin. Code § 153.2](#)

¹⁰¹ [Tex. Const., Art. XVI, Sec. 50\(a\)\(6\)\(C\)](#) and [7 Tex. Admin. Code § 153.4](#)

¹⁰² [Tex. Const., Art. XVI, Sec. 50\(a\)\(6\)\(H\)](#) and [7 Tex. Admin. Code § 153.8](#)

¹⁰³ [Tex. Const., Article XVI, Sec. 50\(a\)\(6\)\(K\)](#) and [7 Tex. Admin. Code § 153.10](#)

**EXHIBIT 10
HOME EQUITY LOANS and HOME EQUITY LINES OF CREDIT**

- One-year prohibition¹⁰⁴
- \$4,000 Minimum Draw on HELOC¹⁰⁵
- No credit card, debit card, or preprinted check permitted to obtain a draw¹⁰⁶
- No cash advance fees are permitted¹⁰⁷

Loans Made Statistics

Exhibit 11 includes the lending activity for cash-out refinances over the past five calendar years.

EXHIBIT 11 Home Equity Loan – Loans Made Statistics per calendar year (Cash Out Refinancing)					
	CY2019	CY2020	CY2021	CY2022	CY2023
Number of Loans	69,392	98,117	144,626	96,111	39,038
Amount of Loans	\$13,883,080,000	\$23,161,715,000	\$36,934,095,000	\$24,003,515,000	\$7,681,850,000
Average Loan Amount	\$200,067.44	\$236,062.20	\$255,376.59	\$249,747.84	\$196,778.78
Average Closing Costs	\$4,711.24	\$5,032.93	\$5,170.06	\$6,386.53	\$5,782.27
Average Interest Rate	4.65%	3.51%	3.18%	4.71%	7.37%

Source: HMDA Data – CFPB

From CY2022 to CY2023, the number and dollar amount of cash-out refinances made in Texas decreased by 59.38% and 68%, respectively. Home equity loans declined primarily due to increasing mortgage interest rates.

Exhibit 12 reflects the number and dollar amount of home equity lines of credit made by SML licensees and registrants over the past five years.

EXHIBIT 12 HOME EQUITY LINES OF CREDIT MADE BY SML LICENSEES/REGISTRANTS					
	CY2019	CY2020	CY2021	CY2022	CY2023
Number of Loans	223	101	97	745	503

¹⁰⁴ [Tex. Const., Art. XVI, Sec. 50\(a\)\(6\)\(M\)\(iii\)](#) and [7 Tex. Admin. Code § 153.14](#)

¹⁰⁵ [Tex. Const., Art. XVI, Sec. 50\(t\)\(2\)](#)

¹⁰⁶ [Tex. Const., Art. XVI, Sec. 50\(t\)\(3\)](#) and [7 Tex. Admin. Code § 153.84](#)

¹⁰⁷ [Tex. Const., Art. XVI, Sec. 50\(t\)\(5\)](#)

Amount of Loans	\$35,086,759	\$17,146,818	\$20,056,889	\$167,442,380	\$110,413,346
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Reverse Mortgage Loan (Section 50(a)(7))

Overview

A reverse mortgage is a closed-end mortgage loan or an open-end line of credit that is a reverse mortgage transaction as defined in Regulation Z, 12 CFR § 1026.33(a), but without regard to whether the security interest is created in a principal dwelling.¹⁰⁸

A reverse mortgage transaction¹⁰⁹ is a nonrecourse consumer credit obligation in which:

- (1) A mortgage, deed of trust, or equivalent consensual security interest securing one or more advances is created in the consumer's principal dwelling; and
- (2) Any principal, interest, or shared appreciation or equity is due and payable (other than in the case of default) only after:
 - (i) The consumer dies;
 - (ii) The dwelling is transferred; or
 - (iii) The consumer ceases to occupy the dwelling as a principal dwelling.

Article XVI, Section 50(k) of the Texas Constitution sets forth a very extensive definition and includes additional limitations and restrictions discussed in Exhibit 13 below.

In Texas, a reverse mortgage may be used to purchase a home, obtain a lump sum, or create a regular monthly income stream for a specified period.

A reverse mortgage can be a closed-end or line of credit transaction.

The amount of money ("principal limit") received by the borrower in a lump sum or line of credit for a reverse mortgage depends on three major factors:

- the age of the youngest borrower;
- the interest rate of the loan; and
- the value of the home.

In general, reverse mortgages with older borrowers, higher-priced homes, and lower interest rates will have higher principal limits than loans with younger borrowers, lower-priced homes, and higher interest rates.

There are two types of reverse mortgages - (1) a Home Equity Conversion Mortgage (HECM) that is governmental-insured by FHA; and (2) a proprietary reverse mortgage. The HECM product is the predominant reverse mortgage product. Proprietary reverse mortgages are not insured by the federal government and are typically designed for borrowers with higher home values than those insured by FHA.

¹⁰⁸ [Regulation C, 12 C.F.R. §1003.2\(a\)](#)

¹⁰⁹ [Regulation Z, 12 C.F.R. § 1026.33\(a\)](#)

Under the FHA-insured HECM product, the youngest borrower must be 62 years of age or older at the time of loan closing;¹¹⁰ however, for the proprietary reverse mortgage, only one of the borrowers (owner or owner’s spouse) must be 62 years or older.

Besides the age requirement, FHA requires:

- the home must be the principal residence where the borrowers live the majority of the year;
- the borrower(s) must own the home outright or have a low mortgage balance (the proceeds of the reverse mortgage may be used to purchase the home);
- the borrower(s) must not owe any delinquent federal debt, such as federal income taxes or federal student loans; however, the proceeds of the reverse mortgage may be used to pay off these debts;
- the borrower must have enough money or agree to set aside part of the reverse mortgage funds at loan closing sufficient to pay ongoing property charges, including taxes and insurance, as well as maintenance and repair costs;
- the home must be habitable and not in need of substantial repairs or capital improvements; and
- the borrower(s) must receive counseling from a HUD-approved reverse mortgage counseling agency to discuss the borrower’s eligibility, the financial implications of the loan, and other alternatives.

Fees, Limitations, and Restrictions

Exhibit 13 – Reverse Mortgage Loan contains key terms, limitations, and restrictions for reverse mortgages.

EXHIBIT 13 REVERSE MORTGAGE LOANS		
Maximum Loan Limit (CY 2024)	FHA Home Equity Conversion Mortgage (HECM)	\$1,149,825 ¹¹¹
	Proprietary Reverse Mortgage	As with a HECM, the maximum loan amount will be affected by: (1) the age of the youngest borrower or eligible non-borrowing spouse borrowers (62 or older); (2) the dollar amount of equity in the homestead property; (3) the average mortgage interest rate; and (4) the home’s appraised value.

¹¹⁰ [24 C.F.R. § 206.33](#)

¹¹¹ [FHA Mortgage Limits | HUD.gov / U.S. Department of Housing and Urban Development \(HUD\)](#)

**EXHIBIT 13
REVERSE MORTGAGE LOANS**

Maximum Interest Rate	18% ¹¹²	
Required Waiting Period for Closing	12-day waiting period ¹¹³ <ul style="list-style-type: none"> • A reverse mortgage may not be closed before the 12th day after the date the lender provides the prospective borrower the required consumer disclosure. • The consumer disclosure must be on a separate document. 	
Maximum Closing Costs	FHA Home Equity Conversion Mortgage (HECM)	<p>HECM One-Time Mortgage Insurance Premium</p> <p>In addition to the upfront mortgage insurance premium of 2% of the property value or maximum claim amount whichever is less¹¹⁴, the lender or mortgagee may collect additional cost at closing.</p> <p><i>Fees at closing</i>¹¹⁵. The mortgagee may collect, either in cash at the time of closing or through an initial payment under the mortgage, the following charges and fees incurred in connection with the origination, processing, and closing of the reverse mortgage loan:</p> <p>(1) <i>Loan Origination Fee</i>. The loan origination fee is paid to compensate the lender for making or processing the HECM loan. The maximum origination fee that a lender can charge to the consumer is the greater of \$2,500 or 2% of the maximum claim amount</p>

¹¹² Tex. Fin. Code, § [303.009](#), § [342.301](#), and § [346.101](#)

¹¹³ Tex. Const., Art. XVI, Sec. 50(k)(9)

¹¹⁴ [24 C.F.R. §206.105](#)

¹¹⁵ [24 C.F.R. §206.31](#)

**EXHIBIT 13
REVERSE MORTGAGE LOANS**

		<p>(the home's value) plus 1% of the amount over \$200,000. The HECM origination fees are capped at \$6,000 (may be adjusted for changes in the CPI index). The loan origination fee may be fully financed with the mortgage.</p> <p><i>(2) Reasonable and customary amounts.</i> Reasonable and customary amounts, but not more than the amount actually paid by the mortgagee, for any of the following items:</p> <ul style="list-style-type: none"> (i) Recording fees and recording taxes, or other charges incident to the recordation of the insured mortgage; (ii) Credit report; (iii) Survey, if required by the mortgagee or the borrower; (iv) Title examination; (v) Mortgagee's title insurance; (vi) Fees paid to an appraiser for the initial appraisal of the property; (vii) Flood certifications; <p>and</p> <ul style="list-style-type: none"> (viii) Such other charges as may be authorized by the Commissioner. <p><i>(b) Repair administration fee.</i> If the property requires repairs after closing in order to meet FHA requirements, the mortgagee may collect a fee for each occurrence as compensation for administrative duties relating to repair work</p>
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**EXHIBIT 13
REVERSE MORTGAGE LOANS**

		pursuant to § 206.47(c) and (d) , not to exceed the greater of one and one-half percent of the amount advanced for the repairs or fifty dollars. The mortgagee shall collect the repair fee by adding it to the outstanding loan balance.
	Proprietary Reverse Mortgage	Reasonable and customary fees
Late Fees	None (no payments are due on a reverse mortgage)	
Required Repayment Date	<p>On a reverse mortgage, the repayment of the principal or interest is not required until one of the following events occurs:¹¹⁶</p> <ul style="list-style-type: none"> • all borrowers have died; • the homestead property securing the loan is sold or otherwise transferred; • all borrowers cease occupying the homestead property for a period of longer than 12 consecutive months without prior written approval from the lender; • if the extension of credit is used for the purchase of homestead property, the borrower fails to timely occupy the homestead property as the borrower's principal residence within a specified period after the date the extension of credit is made that is stipulated in the written agreement creating the lien on the property; or • the borrower: <ul style="list-style-type: none"> ○ defaults on an obligation specified in the loan documents to repair and maintain, pay taxes and assessments on, or insure the homestead property; ○ commits actual fraud in connection with the loan; or ○ fails to maintain the priority of the lender's lien on the homestead property, after the lender gives notice to the borrower, by promptly discharging any lien that has priority or may obtain priority over the lender's lien within 10 days after the date the borrower receives the notice, unless the borrower: 	

¹¹⁶ [Tex. Const., Art. XVI, Sec. 50\(k\)\(6\)](#)

**EXHIBIT 13
REVERSE MORTGAGE LOANS**

	<ol style="list-style-type: none"> 1. agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to the lender; 2. contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings so as to prevent the enforcement of the lien or forfeiture of any part of the homestead property; or 3. secures from the holder of the lien an agreement satisfactory to the lender subordinating the lien to all amounts secured by the lender's lien on the homestead property. 	
Required State Disclosures	Consumer Disclosure (Reverse Mortgage Disclosure) ¹¹⁷	
Housing Counseling Required	Yes, ¹¹⁸ a prospective borrower and the spouse of the prospective borrower must attest in writing that both of them received counseling regarding the advisability and availability of reverse mortgages and other financial alternatives within 180th day but not any sooner than the 5th day before the date the extension of credit is closed.	
Right of Rescission (3-day right of rescission)	Yes, ¹¹⁹ except for reverse mortgage transactions made to purchase the home.	
Prepayment Penalty ¹²⁰ Allowed	No ¹²¹	
Negative Amortization	Yes ¹²²	
Monthly Mortgage Insurance Premium	Monthly Mortgage Insurance Premium on HECMs ¹²³	Over the life of the reverse mortgage, the consumer will be charged a monthly mortgage insurance premium equal to 0.5% of the outstanding mortgage balance, calculated annually.
	Proprietary Reverse Mortgage	Usually, there is no mortgage insurance premium on proprietary reverse mortgages.
Servicing Fees ¹²⁴	Monthly servicing fees on HECMs	

¹¹⁷ [Tex. Const., Art. XVI, Sec. 50\(k\)\(9\)](#)

¹¹⁸ [Tex. Const., Art. XVI, Sec. 50\(k\)\(8\)](#)

¹¹⁹ Regulation Z, 12 C.F.R. § 1026.15 and § 1026.23

¹²⁰ Tex. Fin. Code, [§ 301.002\(a\)\(15\)](#) defines a “prepayment penalty” as “consideration agreed on and contracted for a discharge of a loan, other than a loan governed by Chapter 306, before its maturity or a regularly scheduled date of payment, as a result of an obligor's election to pay all of the principal amount before its stated maturity or a regularly scheduled date of payment.”

¹²¹ [24 C.F.R. §206.209](#)

¹²² [Tex. Const., Art. XVI, Sec. 50\(m\) and \(n\)\(6\)](#)

¹²³ [24 C.F.R. §206.105\(b\)](#) and [How the HECM Program Works | HUD.gov / U.S. Department of Housing and Urban Development \(HUD\)](#)

¹²⁴ [24 C.F.R. §206.207](#) and [How the HECM Program Works | HUD.gov / U.S. Department of Housing and Urban Development \(HUD\)](#)

**EXHIBIT 13
REVERSE MORTGAGE LOANS**

	<ul style="list-style-type: none"> • \$30.00 or less for a reverse mortgage that has a fixed rate or a rate that adjusts annually • \$35.00 or less for a reverse mortgage where the rate adjusts monthly • At loan closing, the lender sets aside the servicing fee and deducts the fee from the consumer’s available funds. • Each month the monthly servicing fee is added to consumer’s loan balance. • Lenders may also include the servicing fee in the mortgage interest rate. <p>Other Servicing Fees</p> <p>The lender or servicer may assess, charge, and collect other servicing fees in connection with the reverse mortgage.</p>
Key Restrictions and Limitations	<p>There are several other important restrictions and limitations on home equity loans and home equity lines of credit, including:</p> <ul style="list-style-type: none"> • Age limitation – 62 or older¹²⁵ • Required voluntary consent of each owner and each owner’s spouse¹²⁶ • Nonrecourse of the deficiency balance after the foreclosure sale¹²⁷ • Judicial foreclosure and other foreclosure protections¹²⁸

Loans Made Statistics

Exhibit 14 includes the lending activity for reverse mortgage over the past five calendar years.

**EXHIBIT 14
Reverse Mortgage – Loans Made Statistics per calendar year**

	CY2019	CY2020	CY2021	CY2022	CY2023
Number of Loans	2,200	2,624	3,133	3,807	2,060
Amount of Loans	\$261,770,000	\$362,275,000	\$530,685,000	\$707,185,000	\$339,260,000
Average Loan Amount	\$118,824.33	\$138,062.12	\$169,385.57	\$185,759.13	\$164,689.32
Average Interest Rate	4.59%	3.36%	2.56%	5.01%	7.62%

¹²⁵ [Tex. Const., Art. XVI, Sec. 50\(k\)\(2\)](#)

¹²⁶ [Tex. Const., Art. XVI, Sec. 50\(k\)\(1\)](#)

¹²⁷ [Tex. Const., Art. XVI, Sec. 50\(k\)\(3\)](#)

¹²⁸ [Tex. Const., Art. XVI, Sec. 50\(k\)\(10\) and \(11\)](#)

From CY2022 to CY2023, the number and dollar amount of reverse mortgages made in Texas declined by 45.89% and 52.03%, respectively. The rapid increase in mortgage interest rates led to a precipitous decline in reverse mortgages, as the interest rate increase reduced the amount of money available to the borrowers.

Conversion and Refinance of a Personal Property Lien Secured by a Manufactured Home to a Lien on Real Property – (Section 50(a)(8))

Overview

A “manufactured home” means a HUD-code manufactured home or a mobile home.¹²⁹

A "HUD-code manufactured home":

(A) means a structure:

- (i) constructed on or after June 15, 1976, according to the rules of the United States Department of Housing and Urban Development;
- (ii) built on a permanent chassis;
- (iii) designed for use as a dwelling with or without a permanent foundation when the structure is connected to the required utilities;
- (iv) transported in one or more sections; and
- (v) in the traveling mode, at least eight body feet in width or at least 40 body feet in length or, when erected on site, at least 320 square feet;

(B) includes the plumbing, heating, air conditioning, and electrical systems of the home; and

(C) does not include a recreational vehicle as defined by 24 C.F.R. Section 3282.8(g).

A mobile home:

(A) means a structure:

- (i) constructed before June 15, 1976;
- (ii) built on a permanent chassis;
- (iii) designed for use as a dwelling with or without a permanent foundation when the structure is connected to the required utilities;
- (iv) transported in one or more sections; and
- (v) in the traveling mode, at least eight body feet in width or at least 40 body feet in length or, when erected on site, at least 320 square feet; and

(B) includes the plumbing, heating, air conditioning, and electrical systems of the home.

In Texas, a HUD-code manufactured home (manufactured home) may be purchased and financed as personal property (chattel) or real property.

In completing an application for the issuance of a statement of ownership (titling document), an owner of a manufactured home must indicate whether the owner elects to treat the home as real property. An owner may elect to treat a manufactured home as real property only if the home is

¹²⁹ [Tex. Occ. Code, § 1201.003\(18\)](#)

attached to: (1) real property that is owned by the owner of the home; or (2) land leased to the owner of the home under a long-term lease.¹³⁰

If a consumer finances the purchase of a manufactured home as personal property (chattel), the credit transaction is subject to terms, restrictions, and limitations imposed by Chapter 347 of the Texas Finance Code.¹³¹ Chapter 347 of the Texas Finance Code requires the creditor to register or be licensed as a regulated lender with the [Office of Consumer Credit Commissioner](#).

Exhibit 15 includes the lending activity for manufactured home loans and retail installment contracts made by OCCC regulated lenders over the past five calendar years.

EXHIBIT 15					
Manufactured Home Loans and Retail Installment Contracts					
Loans Made Statistics per calendar year					
	CY2019	CY2020	CY2021	CY2022	CY2023
Number of Loans	9,121	9,031	9,046	3,145	4,818
Amount of Loans	\$ 635,765,776	\$ 691,442,649	\$ 799,399,398	\$ 346,378,876	\$ 505,412,306

Source: OCCC Financial Services Activity Reports

The number and dollar amount of loans reflected above do not include transactions made by depository institutions or registered manufactured housing dealers.

After entering into a manufactured home credit transaction secured by personal property, the borrower may elect to purchase real property or refinance the loan involving real property and pay off the chattel loan or retail installment contract with the proceeds of the purchase or refinance loan. This type of loan is covered by this section.

The exact number and dollar amount of these types of loans are unknown, but they are reflected in the home purchase loan or refinance numbers shown in Exhibits 3 and 7.

Factors Affecting Residential Mortgage Loans

Direct and indirect factors influence the availability, quality, and pricing of residential mortgage loans.

Direct Factors

For home purchase loans and refinances, the direct factors include home prices, required down payments, interest rates, property taxes and insurance costs.

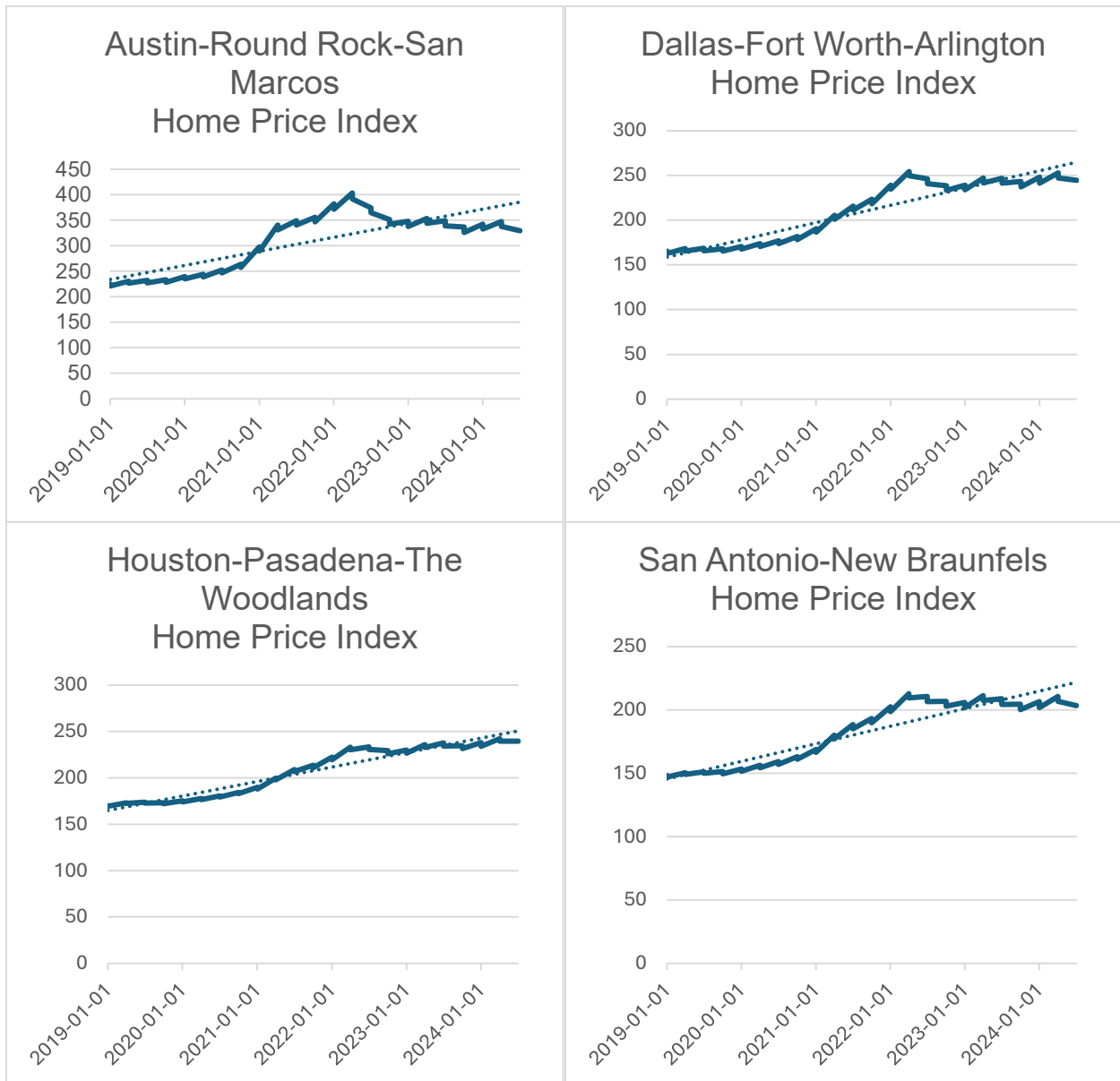
Home Prices

The [Texas Real Estate Research Center](#), in conjunction with the Texas Realtors Data Relevance Project, maintains extensive market data on the Texas real estate market, including information on price appreciation, median home price, months of inventory, sales volume, etc.

¹³⁰ [Tex. Occ. Code, § 1201.2055](#)

¹³¹ [Tex. Fin. Code, Cp. 347](#)

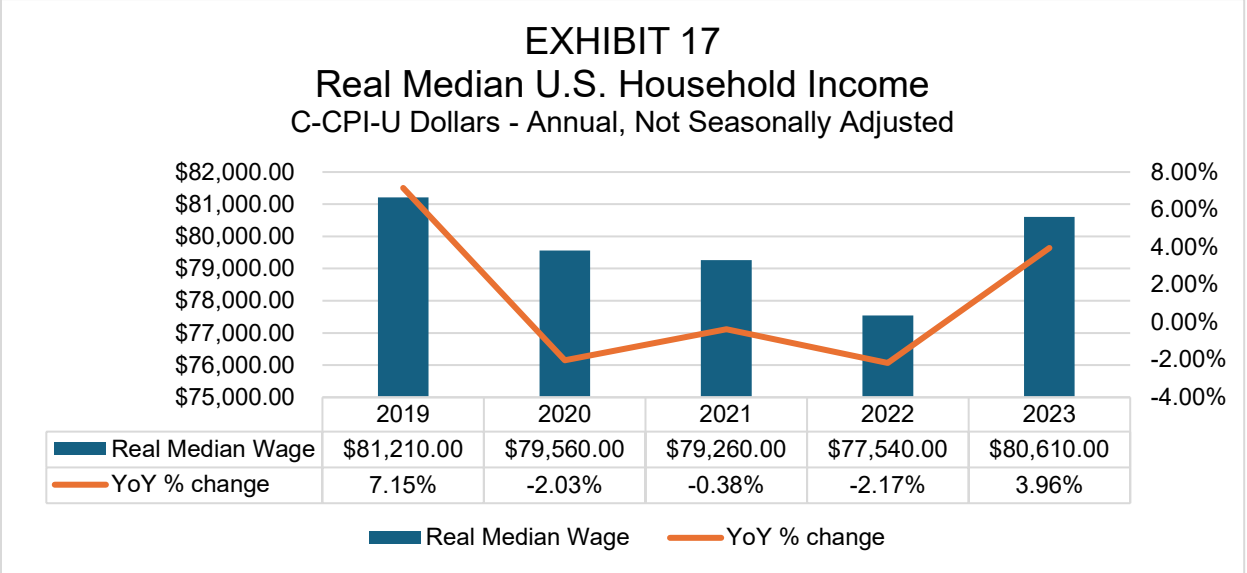
One of the key housing market data is the Texas Real Estate Research Center's Texas Home Price Index, which measures price appreciation changes for residential single-family homes. Each market index begins at a value of 100 at the base period. The base period is the benchmark period by which all future periods are compared. Base periods vary for each market based on data availability. The four charts below reflect the Home Price Index for major metropolitan areas in Texas.



The charts reflect an upward trend of home prices in Texas's four most significant metropolitan areas; however, the median price of homes recently stabilized in the CY2023, as shown in Exhibit 16 below.

Exhibit 16 Median Price Home					
	2019	2020	2021	2022	2023
Texas	\$ 240,000	\$ 259,230	\$ 300,000	\$ 340,000	\$ 335,100
Austin-Round Rock-San Marcos MSA	\$ 315,000	\$ 344,000	\$ 450,000	\$ 502,000	\$ 450,000
Dallas-Fort Worth-Arlington MSA	\$ 273,000	\$ 291,000	\$ 345,000	\$ 400,000	\$ 395,000
El Paso MSA	\$ 162,450	\$ 177,950	\$ 200,000	\$ 237,000	\$ 254,950
Houston-The Woodlands-Sugar Land MSA	\$ 245,000	\$ 260,000	\$ 300,000	\$ 335,000	\$ 330,000
San Antonio-New Braunfels MSA	\$ 230,000	\$ 249,000	\$ 284,995	\$ 320,000	\$ 312,000

Home prices impact the overall cost to purchase and finance a home. As home prices increase, the required down payment and monthly payment increase. To have a stable housing market, the real median income of U.S. consumers must keep pace with the price appreciation of the homes. Real median household income is the median income for households in a given area adjusted for inflation. Exhibit 17 shows the real median U.S. Household Income over the past five years.



Source: U.S. Census Bureau and Federal Reserve Bank of Saint Louis

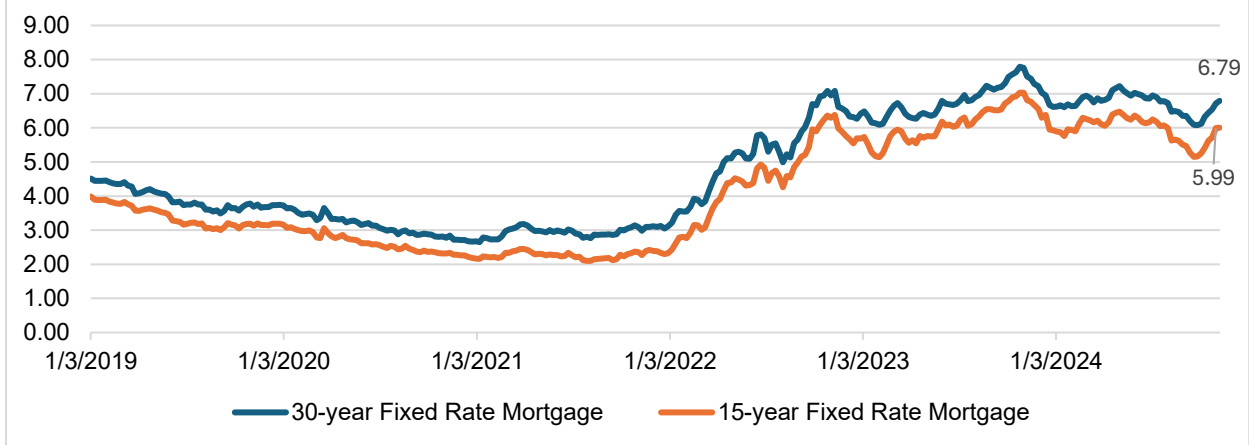
Except for the CY2019 and CY2023, the real median household income did not keep pace with the home price increases in Texas. This decrease in real median household income, along with an increase in home prices, will have a negative impact on homeownership affordability.

Mortgage Interest Rates

Besides the price of the home, the greatest driver of the cost of obtaining a mortgage loan is the note or interest rate.

As shown in Exhibit 18 below, the 15-year and 30-year mortgage industry rates substantially increased from CY2022 to CY2024.

EXHIBIT 18 Mortgage Interest Rates

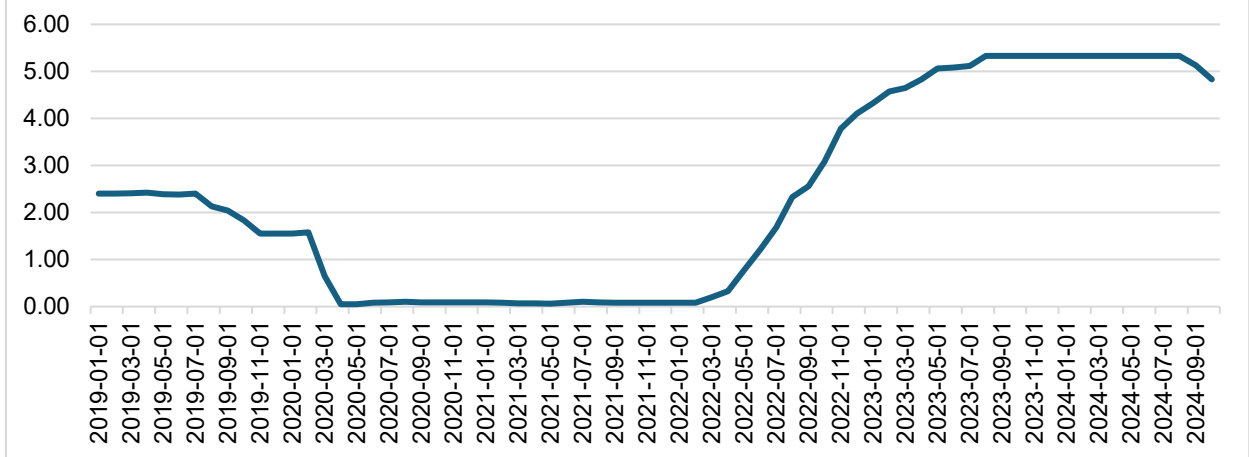


Source: FreddieMae Primary Mortgage Market Survey

For example, using the median price of a home (\$335,100.00 – 2023 value) with a 20% downpayment financed over a 30-year term, the principal and interest portion of the payment increased by \$395.53 compared to the average rate of 4.45% (as of January 17, 2019) and the current rate of 6.79% (as of November 7, 2024). This change reflects a 29.29% increase in the monthly payment.

Although the 15-year and 30-year mortgage interest rates dipped slightly when the Federal Reserve Bank lowered the federal funds rate, the 15-year and 30-year mortgage interest rate rebounded. Exhibit 19 below shows the federal funds rate over the past five years.

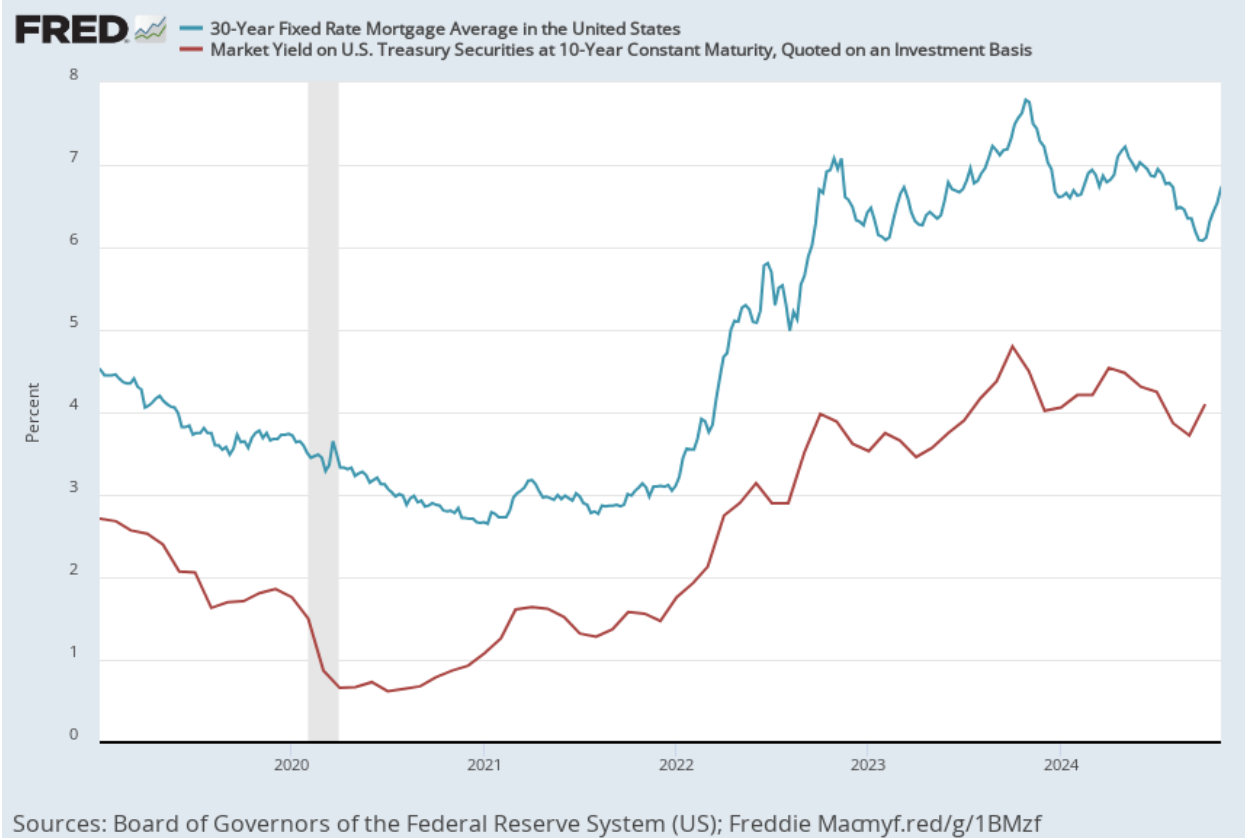
EXHIBIT 19 Federal Funds Effective Rate



Source: Board of Governors of the Federal Reserve System – H15

The 30-year mortgage rate is more closely associated with the 10-year Treasury note. See Exhibit 20 for the comparison between the 30-year fixed rate mortgage to the 10-year U.S. Treasury Securities.

Exhibit 20



The persistent nature of the 15-year and 30-year mortgage rates is linked to deficit spreading, a possible increase in economic growth, and continued inflation above the Federal Reserve Bank's two percent target.

As Exhibits 3, 7, 9, 11, and 14 demonstrate, higher interest rates reduce the number and dollar amount of home purchase loans, refinances, home improvement loans, cash-out refinances (home equity loans), and reverse mortgage loans in Texas.

Property Taxes

The third component of a mortgage payment is property taxes.

Texas has the seventh-highest property tax burden in the United States. An analysis of 2022 tax payment data concluded that the median taxes on a median-priced Texas home produced an effective tax rate of 1.47%. (Tax Foundation, 2024).¹³² High tax rates on property and increasing property values generally raise the cost of home ownership through increasing taxes.

¹³² [Property Taxes by State & County: Median Property Tax Bills](#)

Increased property values represent unrealized gains to Texans maintaining residency. Texas property values have seen a dramatic increase over the last 10 years (Texas Real Estate Research Center - Texas A&M University, 2024), largely outpacing both real and nominal wages. (US. Census Bureau, 2024).

Year	Homestead
< 1997	\$5,000
1997	\$15,000
2015	\$25,000
2022	\$40,000
2023	\$100,000

Homestead exemptions are an important tool in mitigating the rise in taxes as they limit assessed value increases from year to year and exempt a portion of the property’s taxable value. Texas voters have amended the Texas Constitution four times in the last 26 years to increase the homestead exemption. Important public policy decisions affecting taxes on homesteads, property owners on fixed incomes (aged 65 and older, disabled, surviving spouses), and payment options at the tax office all impact the amount of taxes owed and the demand for property tax loans.

In 2023, with the passage and approval of Senate Bill 2, the Texas Legislature made the following adjustments to property taxes for residential homesteads:

- increased the residence homestead exemption for school districts from \$40,000 to \$100,000;
- compressed school district tax rates by an additional \$0.107 for the 2023-2024 tax year; and
- adjusted the tax limitation (commonly called a tax ceiling or tax freeze) for an individual who is aged 65 or older or disabled related to the increase in the residence homestead from \$25,000 to \$40,000 and from \$40,000 to \$100,000, as well as made ongoing adjustments based on any future increase in the residence homestead exemption.

For 2023-2024 tax years, the changes helped to reduce the tax burden on homeowners of homesteads.

Insurance Premiums

The final component of a mortgage payment is insurance premiums --- (1) mortgage insurance premiums; (2) homeowner’s insurance; and (3) flood insurance.

FHA Mortgage Insurance Premium Reduction

On March 20, 2023, the U.S. Department of Housing and Urban Development (HUD) reduced the annual mortgage insurance premium (MIP) for FHA-insured loans by approximately 35%.¹³³ Exhibit 21 includes the information regarding the FHA Annual MIP reduction.

EXHIBIT 21 FHA Annual Mortgage Insurance Premium Reduction
<p>Applies to all Mortgages except:</p> <ul style="list-style-type: none"> • Streamline Refinance and Simple Refinance Mortgages used to refinance a previous FHA endorsed Mortgage on or before May 31, 2009 • Hawaiian Home Lands (Section 247)

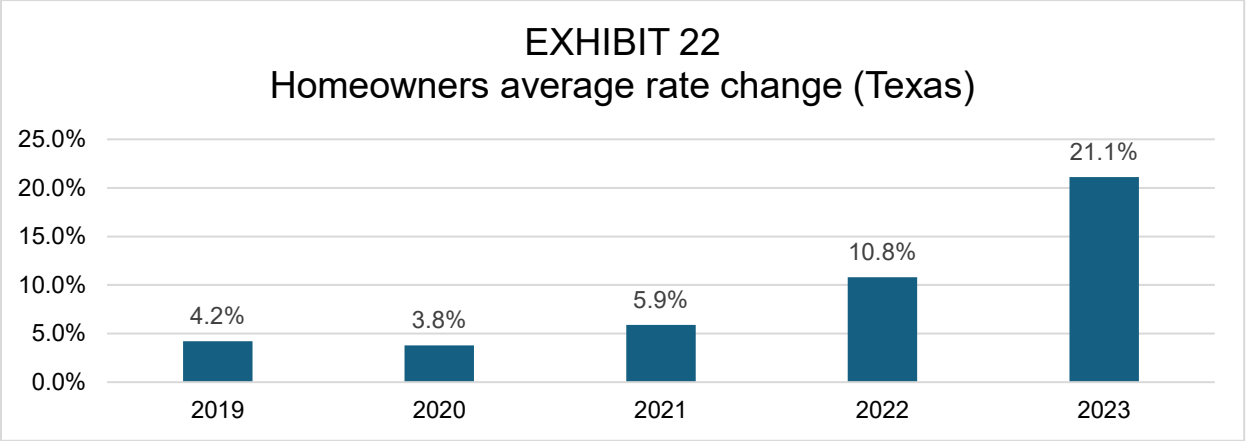
¹³³ [FHA Mortgage Letter 2023-05](#)

Mortgage Term of More Than 15 Years				
Base Loan Amount	Loan-to-Value	Duration	2022 MIP (bps)	2023 MIP (bps)
Less than or equal to \$625,500 (2022) and \$726,200 (2023)	≤ 90.00%	11 years	80	50
	> 90.00% but ≤ 95.00%	Mortgage Term	80	50
	> 95.00%	Mortgage Term	85	55
Greater than \$625,500 (2022) and \$726,200	≤ 90.00%	11 years	100	70
	> 90.00% but ≤ 95.00%	Mortgage Term	100	70
	> 95.00%	Mortgage Term	105	75
Mortgage Term of Less or Equal to 15 Years				
Base Loan Amount	Loan-to-Value	Duration	2022 MIP (bps)	2023 MIP (bps)
Less than or equal to \$625,500 (2022) and \$726,200 (2023)	≤ 90.00%	11 years	45	15
	> 90.00%	Mortgage Term	70	40
Greater than \$625,500 (2022) and \$726,200	≤ 78.00%	11 years	45	15
	> 78.00% but ≤ 90.00%	11 years	70	40
	> 90.00%	Mortgage Term	95	65

According to HUD, the premium reduction has helped more than 682,000 borrowers save an average of \$876 annually, saving them nearly \$600 million collectively in just the first year of their mortgages. (U.S. Department of Housing and Urban Development, 2024)¹³⁴ The FHA Annual MIP reduction reduced the cost of homeownership nationally and in Texas for those borrowers with an FHA-insured home purchase loan or refinance.

Homeowners’ Insurance Premiums

Homeowners’ insurance is one of the fastest-growing costs affecting homeownership in Texas. Over the past five years, homeowners’ insurance premiums have increased from 3.8% to 21.2% per year (see Exhibit 22 below).



Source: Texas Department of Insurance rate filing data

Homeowners insurance rates in Texas have been increasing due to several factors (Rice University - Kinder Institute for Urban Research, 2024)¹³⁵, including

¹³⁴ [One Year In: U.S. Department of Housing and Urban Development Annual Mortgage Insurance Premium Cut Saves Borrowers \\$600 Million | HUD.gov / U.S. Department of Housing and Urban Development \(HUD\)](#)

¹³⁵ [Houston’s rising homeowner insurance rates aren’t helping a widening affordability gap | Kinder Institute for Urban Research | Rice University](#)

- severe weather;
- rising construction costs; and
- insurance companies exiting the market to limit their exposure to high-risk states.

The homeowners' insurance premiums affect Texans' ability to purchase and maintain ownership of their homestead properties.

Flood Insurance

Flood insurance is a type of property insurance that reimburses the policyholder from losses and damages caused by the peril of flooding.

The National Flood Insurance Program (NFIP) is managed by the Federal Emergency Management Agency (FEMA) and is delivered to the public by a network of more than 50 insurance companies and the NFIP Direct. Homes and businesses in high-risk flood areas with mortgages from government-backed lenders are required to have flood insurance.¹³⁶

As of April 1, 2023, FEMA has fully implemented the [National Flood Insurance Program's](#) (NFIP) pricing approach, Risk Rating 2.0. According to Office of Public Insurance Council, the average annual cost of a flood insurance policy is \$700.00.¹³⁷ Because of the recent hurricanes, the E&E News reports that: “[i]n Texas, the average cost of a policy is slated to increase to \$1,400 from \$775 by the time the new rates are fully in effect in several years, FEMA records show.” (E&E News by Politico, 2024)¹³⁸

For those borrowers who live in a flood plain, the cost of flood insurance will impact the cost of homeownership in Texas.

Indirect Factors

The indirect factors affecting residential mortgage loans are the amount of equity in the homestead property, housing supply, and population growth.

Amount of Equity in the Homestead Property

For refinance transactions, home equity loans, and reverse mortgages, the amount of equity the borrower has in the homestead property impacts the interest rates, mortgage insurance premiums, and the funds available (the principal amount of the loan).

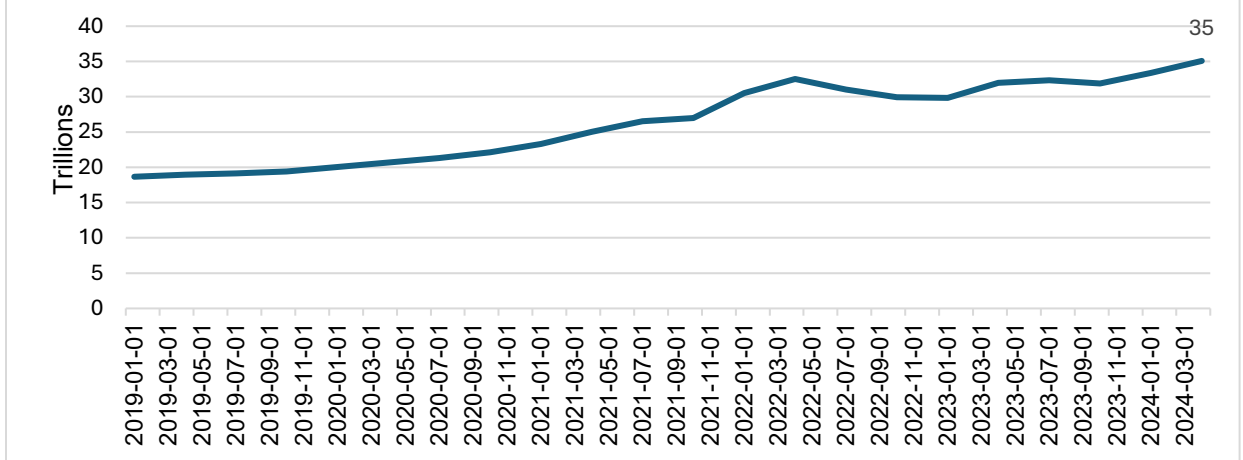
Exhibit 23 reflects the value of owner’s equity (amount of equity) in homes in the United States over the past five years.

¹³⁶ 42 U.S.C. § 4012a(b)(1)

¹³⁷ [Flood Insurance - The Basics - Office of Public Insurance Counsel \(OPIC\)](#)

¹³⁸ [Texas double disaster: Beryl's deluge and receding flood insurance - E&E News by POLITICO](#)

EXHIBIT 23 U.S. Homes - Value of Owner's Equity



Source: Federal Reserve Bank of Saint Louis OEHRENWBSHNO

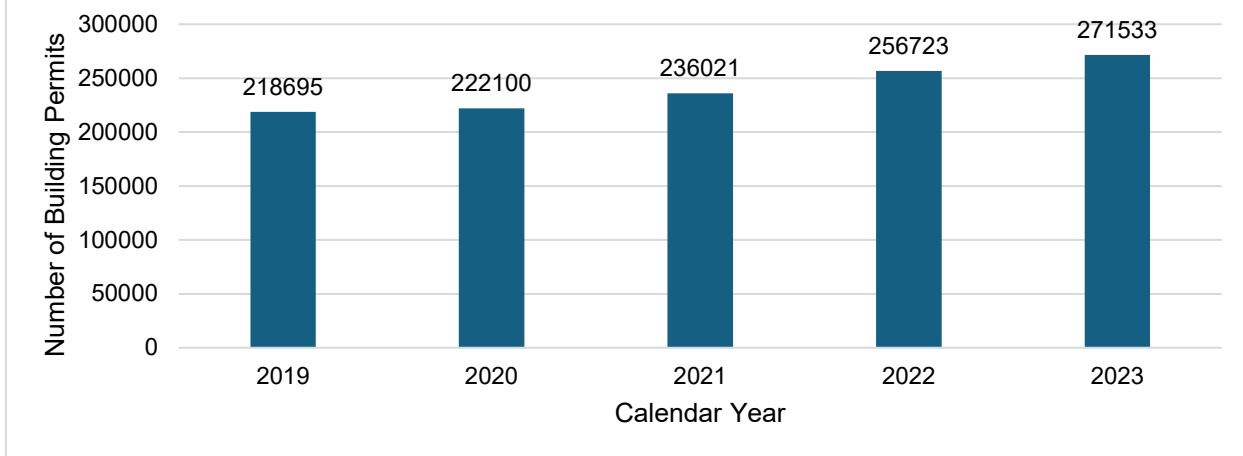
From 2019 to 2024, the value of owner’s equity increased from less than \$19 trillion to \$35 trillion. Again, this increase permits greater principal balances for home equity loans and reverse mortgages.

Housing Supply

The number of homes available for purchase (a.k.a. housing supply) is governed by several factors, including new construction (building permits), existing inventory, government policies (zoning regulations and limitation requirements), land availability, natural disasters, and construction challenges (labor and resources).

The chart below reflects the number of building permits issued in Texas for the past five calendar years.

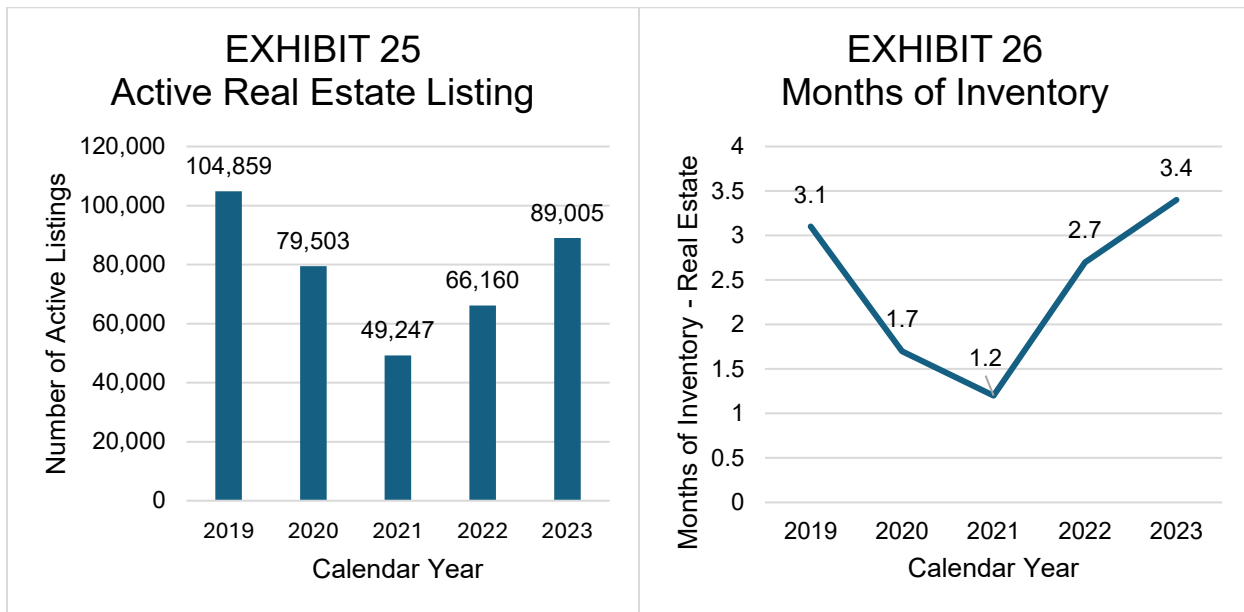
EXHIBIT 24 Number of Texas Building Permits



Source: U.S. Census Bureau [Building Permits Survey](#) and Texas A&M Real Estate Center

For the past five years, the number of building permits issued in Texas has been slightly increasing. However, as of 2023, Texas was 306,000 homes short of what was needed, according to an analysis by [Up for Growth](#), a nonprofit organization that focuses on housing policy. The NAR analysis, meanwhile, shows that the greatest shortage is in homes that middle-income buyers can afford. (Up For Growth, 2-24)

Exhibits 25 and 26 reflect the number of active real estate listings and months of inventory for homes in Texas for the past five years.



Source: Texas Realtors Year In Review publication

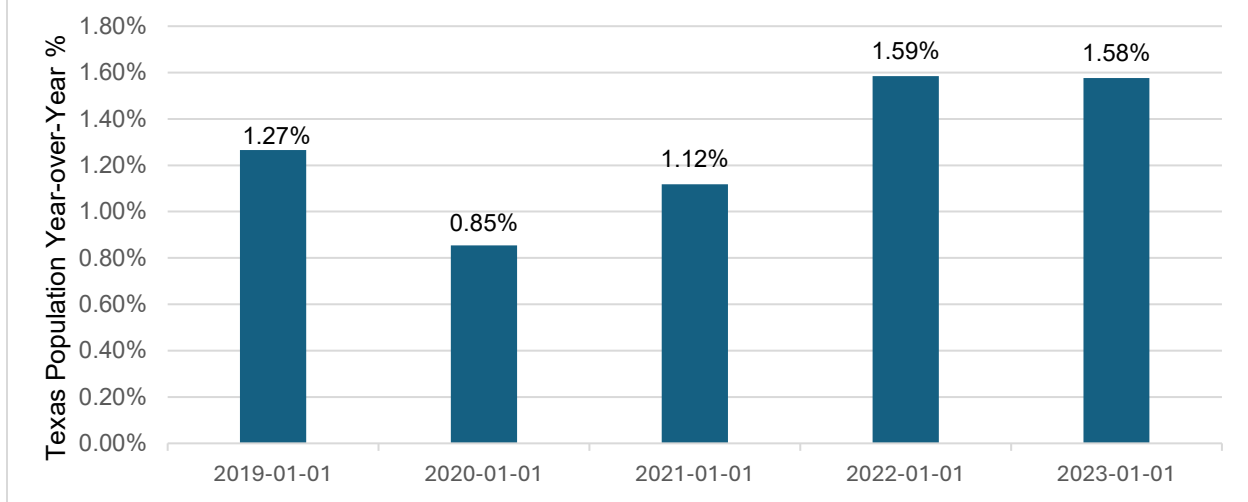
Source: Texas Realtors Year In Review publication

Exhibits 25 and 26 reflect that the marketplace of existing homes is increasing, which will have a beneficial impact on homeownership so long as the median prices of homes do not outstrip potential borrowers' ability to afford them. The growth of active real estate listings and months of inventory may reflect the overall increase in mortgage interest rates over the past two years, which has reduced the affordability of homes.

Population Growth

Population Growth affects the number of homes available for purchase. As shown in Exhibit 27, Texas's population has been growing at a rate greater than 1% per year for the past five years except for 2020.

EXHIBIT 27 Texas Population Growth (YoY % Change)



Source: US Census Bureau

Unless the construction of new homes increases, the continued population growth will impact the number of homes available for purchase, driving up the cost of homeownership.

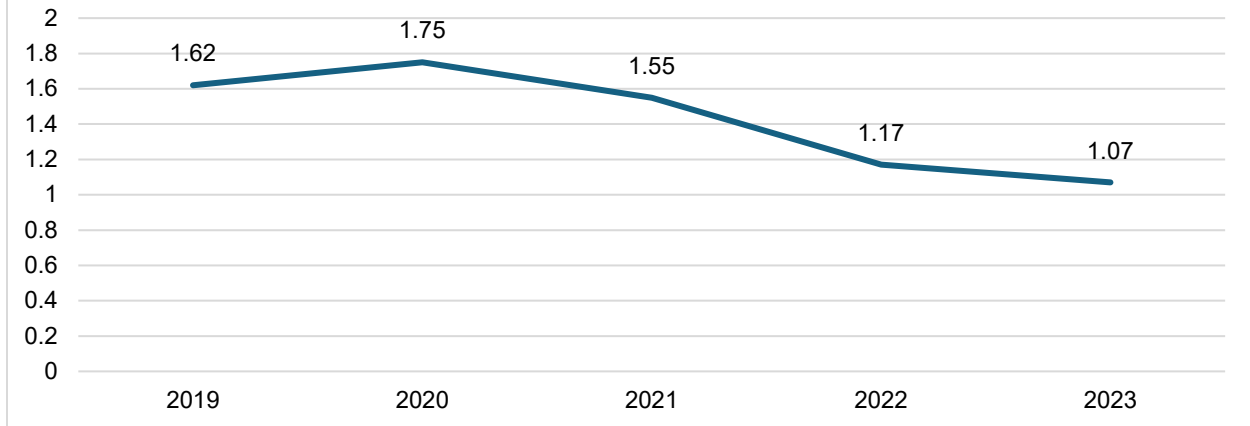
Texas Housing Affordability Index

Housing affordability levels have fallen in all Texas metropolitan areas since 2019, according to the Texas Real Estate Center's Texas Housing Affordability Index (THAI), which measures the ability of a household earning the median family income (MFI) to qualify to purchase a median-priced home. A value of 1.0 indicates the MFI is equal to the amount needed to qualify for a mortgage loan for a median-price home. The higher the ratio, the more affordable the housing market is in the area.

In 2019, the statewide THAI value was 1.62, meaning that the MFI was 62 percent higher than the amount needed to purchase the median-price home in the state of Texas, assuming a down payment of 20 percent and a qualifying ratio of 25 percent of income. This value has since decreased to 1.07 in 2023, meaning that the MFI is now just 7 percent above the necessary income to purchase a median-price home in the state and signaling a decrease in a household's ability to afford a home.

Exhibit 28 reflects the Texas Housing Affordability Index over the past five years.

EXHIBIT 28
Texas Housing Affordability Index
20% downpayment and 25% of income



Source: Texas Real Estate Research Center

A more comprehensive analysis of the affordability of homes in Texas is found in [The Housing Affordability Challenge](#), published by the Texas Comptroller of Public Accounts.

Homeownership affordability fell to its lowest level since the 1980s last year as [mortgage rates reached](#) a 23-year high and home prices set new records.¹³⁹

¹³⁹ [The Cost of Owning a Home Is Skyrocketing – Wall Street Journal](#)

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