Texas State Guidelines

Texas Guideline’s Quick Links:
- Licensing
- Wholesale Disclosures
- Retail Disclosures
- Redisclosures
- Closing Documents
- Fee Information
- General Requirements
- General Loan Restrictions and Practices
- Loan Closings
- Miscellaneous
- Second Lien Loans

| LICENSING |
|-----------------|-----------------|
| **Lender Licensing** | Any corporation, company, partnership, association, or sole proprietorship, who for compensation or gain, or in the expectation of compensation or gain, meets the definition of a Mortgage Banker under Texas Finance Code Chapter 157 and takes a residential mortgage loan application, or offers or negotiates terms of a residential mortgage loan from the person’s own funds or from the fund of another person must have a Texas Mortgage Banker Registration  
  - PRMG has a Mortgage Banker Registration (Company License #)  
  - PRMG can do Retail OR Wholesale with brokers who have a Texas Mortgage Company License  
  - Qualified Individual: Texas Savings and Mortgage Lending does not require a Qualifying Individual  
  - Brick and Mortar: There is brick and mortar requirement for the Texas Mortgage Banker Registration License |
| **Branching**: Any location other than the principal office that conducts Texas mortgage business must have a Mortgage Banker Branch Registration for each licensed location whether located in Texas or not; the requirements are as follows:  
  - File Form MU3 through NMLS  
  - Cost: NMLS processing fee |
| **PRMG’s locations that are authorized to lend in Texas**:  
  - Headquarters (Corona, CA) |

<table>
<thead>
<tr>
<th><strong>Broker Licensing</strong></th>
</tr>
</thead>
</table>
| Applies when PRMG acts as a third party originator and sends the loan to an approved wholesale lender to underwrite and fund  
| Any corporation, company, partnership, or sole proprietorship that engages in the business of residential mortgage loan origination on real property located in Texas. Residential mortgage loans include first lien, second lien, or home equity loans must have a Mortgage Company License  
  - PRMG does not have a Mortgage Company License  
  - PRMG cannot broker loans under its Mortgage Banker Registration |
| **Brokers with multiple branches**: Each office location of a licensed mortgage broker, other than the main office identified on the Mortgage Company License whether located in Texas or not, which conducts business involving Texas residential property must each have a Mortgage Company Branch License |

| **Mortgage Loan Originators** |
|-----------------|-----------------|
| **Loan Officer**: Any individual who for compensation or gain or in the expectation of compensation or gain: (i) takes a residential mortgage loan application; or (ii) offers or negotiates, solicits, arranges, or finds a mortgage loan for a consumer secured by real property located in Texas must have a Mortgage Loan Originator License |

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Texas State Guidelines

LICENSING CONTINUED

Department Contact
Texas Department of Savings and Mortgage Lending
2601 North Lamar, Suite 201
Austin, TX  78705
(512) 475-1350
http://www.sml.state.tx.us

Consumer Complaints to the
Department

- Complaint: The Commissioner of Savings and Mortgage Lending investigates the actions and records of a mortgage broker upon receiving a signed written complaint from a borrower and provides for reasonable cause.
- The commissioner has established a toll free consumer hotline for consumer complaints: (877) 276-5550.
- Response Obligation: The Commissioner will notify the mortgage banker in writing and provide a copy of the complaint.
- Resolution: The Commissioner may request evidence from the mortgage banker to evaluate the complaint and may require the mortgage banker to resolve the complaint or provide the Commissioner with a response. The Commissioner may direct the mortgage banker to take specific action to resolve the complaint.

WHOLESALE DISCLOSURES

General Requirements

- Note: If you click on any blue document title below, it will take you to a sample of that document.
- The disclosures/closing documents listed below are required in addition to applicable federal disclosures, i.e. Good Faith Estimate, Truth in Lending, etc.

Broker’s Initial Disclosures

- Disclosures that must be included with the broker’s initial disclosures:
  - Mortgage Company Disclosure- All loan for brokers who hold a Texas Mortgage Company License; must be provided with the application.
  - Mortgage Banker Disclosure- All loans for brokers who hold a Texas Mortgage Banker Registration; must be provided with the application.
  - Disclosure of Multiple Roles in a Consumer Real Estate Transaction - Must be provided with the application.
  - Texas Notice Concerning Extensions of Credit – All purchase and refinance.

PRMG’s Initial Disclosures

- The following disclosures are available from our document vendor:
  - Mortgage Banker Disclosure- All loans
  - Texas Lock-in Agreement- All loans if loan is locked
  - Texas Notice Concerning Extensions of Credit – Refinance only

RETAIL DISCLOSURES

General Requirements

- Note: If you click on any blue document title below, it will take you to a sample of that document.
- The disclosures/closing documents listed below are required in addition to applicable federal disclosures, i.e. Good Faith Estimate, Truth in Lending, etc.

PRMG’s Initial Disclosures

- The following disclosures are available from our document vendor:
  - Mortgage Banker Disclosure- All Loans
  - Texas Lock-in Agreement- All loans if loan is locked
  - Texas Notice Concerning Extensions of Credit – Cash-out; Refinance only; Homestead property; Given at least 12 days prior to closing

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REDISCLOSURES
Texas Specific Disclosures for the Redisclosure Packages
- The following disclosures are included with PRMG’s standard redisclosure package:
  - Texas Lock-in Agreement—All loans if loan is locked

Closing Documents
Texas Specific Closing Documents
- The following closing documents must be completed at closing and are available from our document vendor:
  - Texas Acknowledgement of Encroachment and Hold Harmless Agreement—All loans
  - Texas Collateral Protection Insurance Notice—All loans
  - Texas Designation of Homestead Affidavit—Owner-occupied transactions
  - Texas Loan Agreement Addendum—All loans $50,000 and over
  - Discount Point Acknowledgement—Cash-out refinance, owner-occupied (50(a)(6)); Discount points being charged
  - Texas Notice of Penalties for Making False or Misleading Statement—Owner-occupied loans only
  - Texas Home Equity Certificate from Originating Lender Regarding Compliance—Cash-out refinance
  - Texas Home Equity Receipt of Copies—Cash-out refinance
  - Owner’s Affidavit Acknowledging Lender’s Compliance—Cash-out refinance
  - Texas Owner’s Affidavit Regarding Advance of Additional Funds—Owner Occupied, Refinance
  - Texas Homestead Owner’s Pre-closing Fee Disclosure Affidavit—Cash-out refinance
  - Texas Mineral Rights Acknowledgement and Agreement—All loans
  - Renewal And Extension Exhibit—Rate and term, owner-occupied
  - Non-Homestead Affidavit—Non-owner Occupied Property

Fee Information
General Fee Restrictions:
- PRMG generally does not accept advance fees, EXCEPT for appraisals through Lender X where they are kept in a trust account until the appraiser is paid. On VA appraisals, PRMG only asks for a pre-authorization on the credit card that will ultimately be charged
- All fees must be disclosed in writing
- All fees shall not deviate from industry norms and PRMG’s general policies
- Note: Any fees not allowed/included in the matrix below must be approved by PRMG’s Legal & Compliance Department

<table>
<thead>
<tr>
<th>Fee Name</th>
<th>Type (Paid to)</th>
<th>Allowed</th>
<th>Not Allowed</th>
<th>Requirement(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admin Fee</td>
<td>Broker</td>
<td>X</td>
<td></td>
<td>Not allowed on FHA/VA</td>
</tr>
<tr>
<td>Application Fee</td>
<td>Broker</td>
<td>X</td>
<td></td>
<td>Can be charged in lieu of actual incurred in taking the application (i.e. credit report fees); Must be included on the Application disclosure</td>
</tr>
<tr>
<td>Appraisal</td>
<td>Lender/Broker/Third-Party</td>
<td>X</td>
<td></td>
<td>Must be supported by invoices</td>
</tr>
<tr>
<td>Attorney</td>
<td>Third-Party</td>
<td>X</td>
<td></td>
<td>Permissible if they are for services actually performed that were necessary to the transaction</td>
</tr>
<tr>
<td>Broker Fee</td>
<td>Broker</td>
<td>X</td>
<td></td>
<td>Wholesale a broker may charge this fee on borrower paid; PRMG does not charge this on Non-Brokered Retail Loans; Brokered Out Loans it is permissible if it is borrower paid</td>
</tr>
</tbody>
</table>

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### Fees continued

<table>
<thead>
<tr>
<th>Fee Name</th>
<th>Type (Paid to)</th>
<th>Allowed</th>
<th>Not Allowed</th>
<th>Requirement(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment Fee</td>
<td></td>
<td></td>
<td>X</td>
<td>Not an approved PRMG fee</td>
</tr>
<tr>
<td>Courier</td>
<td>Third-Party</td>
<td>X</td>
<td></td>
<td>Charged by the closing agent/closing attorney</td>
</tr>
<tr>
<td>Credit Report</td>
<td>Lender (Retail)/ Broker</td>
<td>X</td>
<td></td>
<td>Must be supported by invoices; can only be charged by the broker on Wholesale and PRMG on Retail</td>
</tr>
<tr>
<td>Discount Points</td>
<td>Lender</td>
<td></td>
<td>X</td>
<td>Permissible if it is for a bona-fide rate reduction</td>
</tr>
<tr>
<td>Document Prep Fee</td>
<td>Attorney Only</td>
<td></td>
<td>X</td>
<td>Can only be completed by an attorney;</td>
</tr>
<tr>
<td>Document Review Fee</td>
<td></td>
<td>X</td>
<td></td>
<td>PRMG charges $150, which is paid directly to Black, Mann &amp; Graham to review the closing documents</td>
</tr>
<tr>
<td>Escrow Fee</td>
<td>Third-Party</td>
<td>X</td>
<td></td>
<td>Permissible if it is for services actually performed</td>
</tr>
<tr>
<td>MERS Fee</td>
<td></td>
<td></td>
<td>X</td>
<td>PRMG does not charge a MERS Fee</td>
</tr>
<tr>
<td>Notary Fee</td>
<td>Third-Party</td>
<td>X</td>
<td></td>
<td>$6/$1 each additional</td>
</tr>
<tr>
<td>Origination Fee</td>
<td>Broker</td>
<td>X</td>
<td></td>
<td>Wholesale: a broker may charge this fee; PRMG does not charge this on Non-Brokered Retail loans; Brokered Out Loans it is permissible</td>
</tr>
<tr>
<td>Pest Inspection</td>
<td>Third-Party</td>
<td>X</td>
<td></td>
<td>Must be supported by an invoice</td>
</tr>
<tr>
<td>Processing Fee</td>
<td>Lender (Retail)</td>
<td>X</td>
<td></td>
<td>Permissible on Retail; Wholesale: on borrower paid a processing fee is permissible</td>
</tr>
<tr>
<td>Recording Fee</td>
<td>Third-Party</td>
<td>X</td>
<td></td>
<td>Permissible closing cost</td>
</tr>
<tr>
<td>Settlement Agent</td>
<td>Third-Party</td>
<td>X</td>
<td></td>
<td>Permissible if it is for services actually performed</td>
</tr>
<tr>
<td>Survey</td>
<td></td>
<td>X</td>
<td></td>
<td>Surveys are not required</td>
</tr>
<tr>
<td>Tax Service</td>
<td>Lender</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Title Insurance</td>
<td>Third-Party</td>
<td>X</td>
<td></td>
<td>Must match the premium stated in the policy</td>
</tr>
<tr>
<td>Underwriting</td>
<td>Lender</td>
<td>X</td>
<td></td>
<td>Only charged by PRMG</td>
</tr>
</tbody>
</table>

*RESPA prohibits lenders from charging fees specifically for preparation of the HUD-1/HUD-1 settlement statement or TILA disclosures

### GENERAL REQUIREMENTS

- **Tangible Net Benefit (TNB) Requirement**
  - Texas does not have any state specific tangible net benefit disclosure requirements
  - A lender may not extend high-cost home loans based on a borrower’s collateral without regard to the borrower’s and/or cosigner’s repayment ability, including current and expected income, current obligations, employment status and other financial resources, other than the obligor’s equity in the dwelling that secures repayment of the loan
### General Requirements Continued

**Refinance Transactions**
- Cash-out on a primary residence designated as homestead is not allowed unless Section (a)(6) requirements are followed and as outlined in PRMG’s Product Guidelines
- **Note:** 50(a)(6) requirements apply if the borrower has ever taken cash out on their homestead even if the current refinance is not a cash-out – once a cash out, always a cash out

**Copies of Loan Documents**
- Upon written request, lenders must provide copies of all documents in the borrower’s loan file to the borrower

### General Loan Restrictions and Practices

**Advertising**
- Advertisements or solicitations include business cards and websites
- PRMG’s NMLS ID 75243 must also be on all advertisements
- Originator must disclose if they were the one who published the ad as opposed to the lender
- Must provide the name of the originator that is licensed
- Must provide unique identifier NMLS on all documents, solicitations, advertisements, business cards and website

**General Restrictions**
- It is unlawful for any person or entity engaged in real estate related transactions to discriminate against any person in making available such a transaction, or in the terms or conditions of such transaction, because of: age, race, color, religion, sex, disability, familial status, marital status, sexual orientation, or national origin
- A Lender financing mortgage loans may not condition the loan on the borrower’s use of a particular insurance company, agent, or broker (does not limit a lender from having to approve the use of certain insurance companies based on reasonable criteria)
- Lenders may not require insurance beyond the value of the building(s) located on the property
- A lender may not charge a borrower a separate or additional fee for allowing the borrower to use their own insurance policy that was provided through an insurer licensed to do business in Texas

**Predatory Lending Laws**
- PRMG does not make loans that exceed the points and fees or other limitations of any local, state, or federal predatory lending law

**Prepayment Penalties**
- PRMG does not offer programs with prepayment penalties
- If a prepayment penalty where charged, it must be conspicuously stated in the note

**Higher Priced Mortgage Loan (HPML)**
- PRMG does not offer higher priced mortgage loans except for what is provided [here](#)

**Reverse Mortgages**
- PRMG does not offer Reverse Mortgage Programs on Wholesale, but is allowed to broker them out on Retail

**No Doc/Limited Doc Programs**
- PRMG does not offer no doc or limited doc programs in Texas

### Loan Closings

**Security Instrument/Document Execution**
- Texas is a deed of trust state
- The state of Texas has trustee requirements. Trustees under deeds of trust are expressly excluded from the Texas Trust Code. Texas case law governs who may act as a trustee. While corporations are not prohibited from serving as trustee, common practice is to appoint a Texas resident as trustee
- **Witness Requirements:** No witnesses required but signatures must be acknowledged and notarized, if not, two or more credible subscribing witnesses must be present

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## LOAN CLOSINGS CONTINUED

<table>
<thead>
<tr>
<th>Closing Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Texas is a <strong>wet</strong> funding state</td>
</tr>
<tr>
<td>• <em>Closing documents must be reviewed by an attorney; PRMG uses Black, Mann and Graham (&quot;BMG&quot;)</em></td>
</tr>
<tr>
<td>• Closings are generally conducted by title companies</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Property Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The assessor sends out the property taxes on October 1st of each year</td>
</tr>
<tr>
<td>• Doc drawers and funders <strong>must</strong> confirm the property tax due dates for the city or town where the subject property is located</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Marital Rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Texas is a <strong>community property</strong> state</td>
</tr>
<tr>
<td>• Non-borrowing spouses are required to sign the Mortgage, TIL and Right of Rescission (if applicable) if it is a homestead and/or subject to community property</td>
</tr>
</tbody>
</table>

## MISCELLANEOUS

<table>
<thead>
<tr>
<th>Record Retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Texas requires that records and advertisements be maintained for 3 years</td>
</tr>
<tr>
<td>• PRMG has a current retention policy of 5 years for both advertisements and loan documents</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Late Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Texas considers late charges interest and are covered by the federal usury preemption state interest limitations; thus, the maximum allowable late charge is 5% on Conventional and 4% on FHA/VA/USDA</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Payoffs</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Upon payment in full of the mortgage, the borrower is entitled to a release of mortgage. Texas statutes do not specify the time period of when the release of mortgage must be recorded</td>
</tr>
</tbody>
</table>

## SECOND LIEN LOANS

<table>
<thead>
<tr>
<th>Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>• PRMG does not offer any stand-alone second lien loans</td>
</tr>
</tbody>
</table>

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