



PROGRAM GUIDELINES AND INSTRUCTIONS

Background

The Mortgage Grant Fund grant program (MGF) awards funds to organizations that either directly provide financial education to consumers relating to mortgage loans, or that train other organizations to provide financial education to consumers relating to mortgage loans.

The MGF was established by the 87th Texas Legislature by enactment of Texas Finance Code Chapter 156, Subchapter G. The Department administers the MGF according to that code and the Department's administrative rules (regulations) contained in 7 Texas Administrative Code Chapter 51, Subchapter E.

Eligible Organizations

Organizations eligible to apply are auxiliary mortgage loan activity companies registered with the Department under Texas Finance Code Chapter 156; other non-profit organizations (including governmental organizations); and for-profit entities. If the organization is a for-profit entity, the program must have a statewide impact.

Program Objectives

To qualify, an applicant program's objectives must accomplish the following goals.

1. Offer, to consumers, financial educational services or programs (for minimal or no cost) relating to mortgage loans, or provide training to other organizations that do the same
2. Support the mortgage financial education community
3. Support financial education, literacy, and capability that lead to tangible improvements in financial health, enabling the consumer to obtain and maintain a mortgage loan
4. Identify tools to track, monitor, evaluate, and report on success and performance measures
5. Track and report participant demographic information
6. Demonstrate evidence of the ability to effectively administer funds and implement programs efficiently
7. Demonstrate how grant funds will be used, within program guidelines, to provide or support consumer financial education relating to mortgage loans
8. Demonstrate sustainability after grant funding is discontinued
9. Provide clearly defined and achievable goals and activities as well as progress indicators

Program Guidelines

The applicant must provide an outline of the program's education curriculum to show the subject matter the program will cover that enables the consumer to obtain and maintain a mortgage loan in furtherance of the program objectives. The following guidelines establish subject matter considered appropriate to promote program objectives. The guidelines are not exhaustive, and an applicant's curriculum may include other subject matter. A program may also focus or

Mortgage Grant Fund

Program Guidelines and Instructions

specialize in subject matter geared to a particular audience or aspect of residential mortgage lending (e.g., education to military personnel, veterans, and their immediate family members focused on VA loans).

❖ **Financial literacy, generally**

- Impact of credit history and credit scores in determining credit worthiness
 - How credit is reported
 - How credit score is determined
 - Retrieving credit report and credit score
 - Strategies to improve credit and credit score
 - Establishing credit
 - Responsible use of credit
 - Challenging information on credit report
 - Restructuring or retiring debt (debt consolidation, creditor debt payment agreements, extending repayment terms, etc.)
- Personal finance and savings
 - Budgeting income and expenses to reduce debt and accumulate savings
 - Investment vehicles for savings (bank accounts, CDs, etc.)

❖ **Mortgage loans, generally**

- Costs and benefits of home ownership as compared to renting or leasing
 - How mortgage payments are calculated
 - Maintenance costs, insurance, real estate taxes
 - Asset appreciation/depreciation
- Key legal concepts of mortgage loans
 - Mortgagor versus Mortgagee
 - Promissory notes
 - Deeds of trust
 - Sale and assignment of loans
 - Foreclosure
- Private mortgage insurance
- Fixed versus adjustable rate mortgages
- Escrow requirements
 - Purpose
 - Escrow analysis and payment changes
 - Reserves (cushion)
 - How to opt out of escrow (benefits and risks)
- Mortgage servicing
 - How to review periodic statements
 - Role of third-party servicers and service transfers
 - Servicing disputes (making a qualified written request, request for information, or notice of error)

❖ **Qualifying for a mortgage loan**

- Key terms and concepts
 - Down-payment
 - Debt-to-income ratios

Mortgage Grant Fund

Program Guidelines and Instructions

- Loan-to-value ratios
- Interest rate
- Discount points
- Cash-to-close
- Available mortgage types, programs, eligibility requirements, and limitations (FHA, VA, conventional, etc.)
- Down payment assistance programs
 - How to locate organizations, government agencies, or local governments that offer assistance
 - Typical eligibility requirements
- Other sources for down payment funding
 - Gifts
 - Loans or withdrawals from a retirement account and potential tax consequences

❖ Mortgage loan origination process

- Process overview
 - Application
 - Intent to proceed
 - Disclosures
 - Underwriting
 - Approval
 - Closing
- Role of the individual residential mortgage loan originator
 - Licensure/registration of RMLOs
 - Verification of licensure/registration
 - Avoiding unlicensed/unregistered RMLOs
- Real estate transaction process and intersection with loan origination process
 - Option period
 - Earnest money
 - Closing date
 - Finance contingency provisions
- Loan status forms or letters (pre-qualification letters and conditional approval letters)
 - Purpose
 - Limitations (does not amount to approval)
- TRID disclosures (Loan Estimate and Closing Disclosure)
 - Timing of disclosures
 - How to review (example disclosures)
 - Services the borrower can shop for versus those they cannot
- Comparison shopping
 - Using Loan Estimate to comparison shop
 - 45-day window to avoid multiple hard inquiries on credit
- Loan discount points
 - Relationship between discount points, interest rate, and cash-to-close
 - Locking the rate/points versus “floating”
- Changes in circumstance
- Common information and documentation required for underwriting

Mortgage Grant Fund

Program Guidelines and Instructions

- Pay stubs
- W-2s
- Documentation for self-employment income
- Bank statements
- Tax returns
- Gift letters
- Employment verification
- Property appraisal
- Title insurance
 - Purpose
 - Lender policy versus owner policy

❖ **Refinancing and home equity lending**

- Comparison and explanation of the refinance of an existing loan (“rate and term refinance”), and home equity loans (“cash out refinance”)
- Explanation of home equity lines of credit (HELOCs)
- Potential benefits of refinancing to reduce interest rate or extend payment term to reduce monthly payment
- Pros and cons in obtaining a home equity loan
- Legal requirements for home equity loans (lending limits, fee limitations, one-year seasoning requirement, etc.)

Applicant Criteria

Applicants must read and follow all application instructions and guidelines. The application must be completed in its entirety; incomplete applications will not be considered. An organization can apply once for each grant cycle.

Program Criteria

Applicant’s program must:

1. Align with MGF grant goals or strategies
2. Demonstrate effective evaluative tools and metrics
3. Predict or provide evidence of program impact
4. Provide longitudinal evidence of performance and outcomes
 - a. Demonstrate adequate return on investment
 - b. Document strategic goals
 - c. Demonstrate capacity to collect and report the following data: number of people served, training hours, pre- and post-program survey data, demographic information, and sign-in sheets to justify amount of funds requested
5. Provide evidence that the program will begin when the grant is awarded

Mortgage Grant Fund

Program Guidelines and Instructions

Reporting

Grantees must submit a Semi-Annual Program Activities Report and a Grant Reimbursement Report to demonstrate performance outcomes and financial information over the term of the grant. (The reporting schedule is included in the grant agreement.)

To receive reimbursement funds, Grantees must meet the following stipulations:

1. Submit grant reports in a timely manner
2. Maintain satisfactory compliance with the grant agreement and proposed grant activities
3. Report performance measures
4. Track and report participant demographic information
5. Submit a detailed reimbursement report with supporting documentation to justify reimbursement request
6. Submit a longitudinal report at the completion of the grant cycle demonstrating program objectives and knowledge acquired
7. Provide pre- and post-program surveys
8. Submit sign-in sheets

Funding Structure

Grant funds will be awarded on a cost reimbursement basis for allowable and allocable funds as identified in the grant agreement.

Funding Limitations

Requests for general operating or capital improvement support will not be considered. Specific prohibited and permissible uses of grant funds are defined in the grant agreement. Travel allowances and restrictions are set by the Travel Regulations Act, Texas Government Code Chapter 660.

Application Submission

The fund has one grant cycle every two fiscal years. An organization can apply once for each grant cycle. Applicants may choose a grant programming cycle of one year or two. The application must be completed in its entirety; incomplete applications will not be considered for funding. Any application submitted after midnight on the last day of the application submission period will not be eligible for consideration. The application and attachments can be submitted via either mail or email.

Via mail: Grant Coordinator
Department of Savings and Mortgage Lending
2601 North Lamar Boulevard, Suite 201
Austin, Texas 78705

Via email: GrantCoordinator@sml.texas.gov

Receipt of grant applications will be confirmed by email. If you do not receive confirmation within three business days, please contact the Grant Coordinator at: GrantCoordinator@sml.texas.gov

Mortgage Grant Fund

Program Guidelines and Instructions

Application Review and Selection Process

The grant coordinator will collect and assess each application for eligibility, then recommend appropriate applications to the Mortgage Grant Advisory Committee (MGAC.) The MGAC will review applications and recommend programs to the Commissioner of the Department. The Commissioner will select the grantees. Grants range from \$5,000 to \$100,000.

All applicants will be notified in writing of award decisions.

Public Record

All information, documentation, and other material that is submitted is subject to public disclosure under the Texas Public Information Act. Applicants are hereby notified that the Department of Savings and Mortgage Lending strictly adheres to this statute as well as to applicable court and Attorney General opinions.

- A full list of individuals and organizations selected for an award will be published on the MGF web site.
- Information may be publicly available and/or published online on the Department of Savings and Mortgage Lending website.

For more information, please contact the Grant Coordinator at GrantCoordinator@sml.texas.gov.