



DEPARTMENT OF  
**SAVINGS AND  
MORTGAGE LENDING**

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# **2025 Report on Mortgage Lending in Texas**



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## Purpose

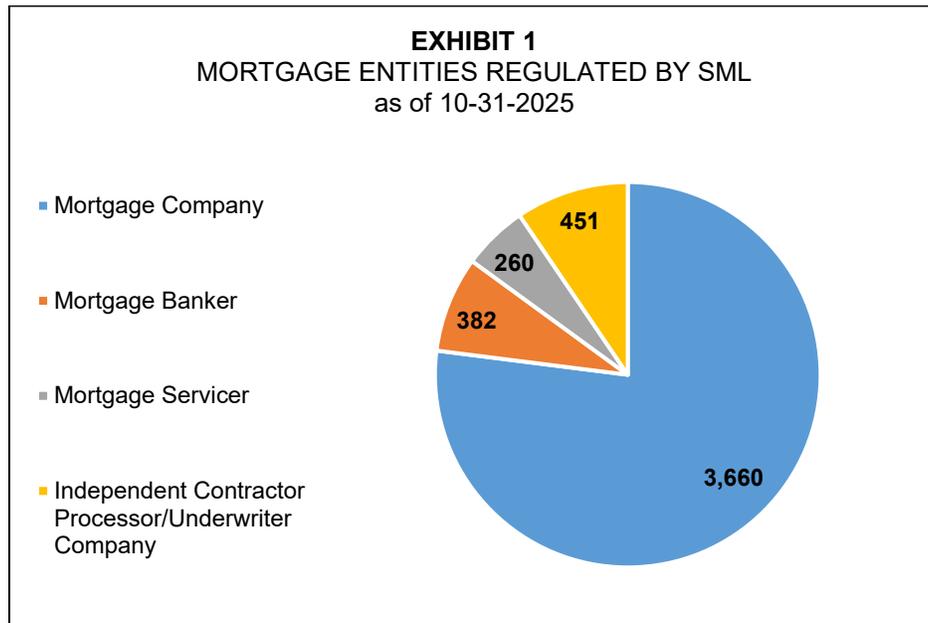
The purpose of this report is to fulfill the mandated constitutional requirement to report residential mortgage lending activity in Texas.

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 state savings banks and the non-depository residential mortgage industry in Texas. In the state savings bank industry, SML supervises 21 state savings banks with assets totaling \$286.7 billion as of September 30, 2025.

In the non-depository residential mortgage industry, SML is responsible for licensing/registration and supervising mortgage companies, mortgage bankers, residential mortgage loan servicers, wrap lenders, and individual residential mortgage loan originators. As of October 31, 2025, SML regulates 4,753 mortgage entities, as shown in Exhibit 1.



Mortgage companies and mortgage bankers originate residential mortgage loans in Texas and act through licensed individual residential mortgage loan originators sponsored by the mortgage company or mortgage banker. Independent contractor processor/underwriter companies provide loan processing services to mortgage companies and mortgage bankers that originate residential mortgage loans. Mortgage bankers and residential mortgage loan servicers handle the servicing of residential mortgage loans. Depository institutions (e.g., banks and credit unions) also originate and service residential mortgage loans and are exempt from SML’s regulatory oversight (other than the state savings banks discussed above).

## 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 Comptroller of Public Accounts;
- (6) the Texas Department of Insurance;
- (7) other publicly available information from reliable sources such as Federal Housing Finance Agency, Housing and Urban Development, Department of Veterans Affairs, United States Department of Agriculture, Fannie Mae, Freddie Mac, Federal Reserve Bank of St. Louis, and Mortgage Bankers Association; and
- (8) articles published by the Wall Street Journal, National Mortgage News, Bankrate, and others.

Unless otherwise indicated, the data used in this Report relates to mortgage loans made in Texas.

## 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.<sup>1</sup> 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.

## Summary of Mortgage Loan Volume in Texas

Exhibit 2 illustrates the Texas residential mortgage loan volume (the number and dollar amount of loans) for 2023 and 2024, broken down by home purchase loans, property tax loans, refinances, home improvement loans, home equity loans (cash-out refinances), and reverse mortgages, and includes the percentage of year-over-year (YoY) change between 2023 and 2024.

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<sup>1</sup> Woody Anglade, Patrice Alexander, and Timothy Lambert, "[Changes to HMDA's Closed-End Loan Reporting Threshold](#)," Consumer Financial Protection Bureau, December 6, 2022.

<b>EXHIBIT 2</b>			
<b>TEXAS RESIDENTIAL MORTGAGE LOAN VOLUME</b>			
<b>Home Purchase Loan</b>			
	2023	2024	YoY % change
Number of Loans	328,504	329,866	0.41%
Amount of Loans	\$112,205,000,000	\$113,605,000,000	1.25%
<b>Property Tax Loan</b>			
	2023	2024	YoY % change
Number of Loans	7,642	8,162	6.80%
Amount of Loans	\$114,390,538	\$174,661,087	52.69%
<b>Refinance</b>			
	2023	2024	YoY % change
Number of Loans	17,177	35,025	103.91%
Amount of Loans	\$5,146,345,000	\$12,747,155,000	147.69%
<b>Home Improvement Loan</b>			
	2023	2024	YoY % change
Number of Loans	17,606	16,893	(4.05%)
Amount of Loans	\$2,132,060,000	\$2,043,145,000	(4.17%)
<b>Home Equity Loan (Cash-out Refinance)</b>			
	2023	2024	YoY % change
Number of Loans	39,001	42,332	8.54%
Amount of Loans	\$7,672,295,000	\$8,943,730,000	16.57%
<b>Reverse Mortgage</b>			
	2023	2024	YoY % change
Number of Loans	1,947	1,890	(2.93%)
Amount of Loans	\$316,865,000	\$326,880,000	3.16%

In 2024, the Texas residential mortgage market experienced a mix of modest growth and notable shifts across various loan categories, as compared to 2023.

Home purchase loans remained relatively stable, with a slight increase of 0.41% in the number of loans issued and a 1.25% rise in the total loan amount, reaching approximately \$113.6 billion. This suggests a steady demand for homeownership despite broader market fluctuations.

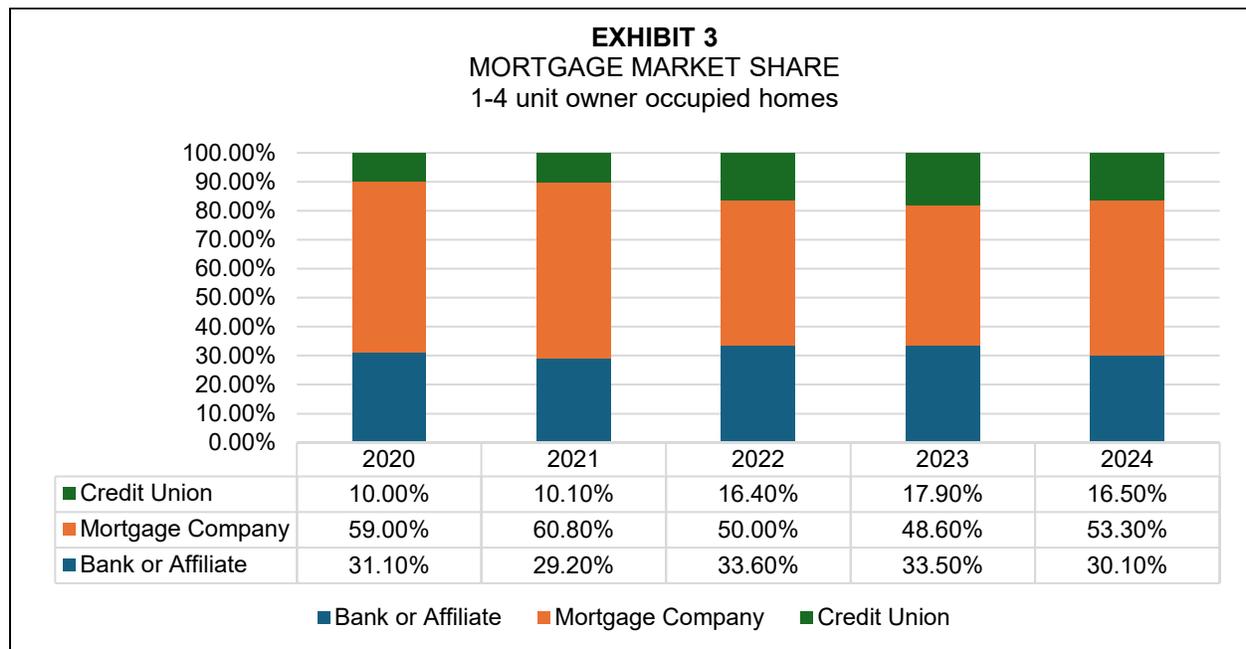
Property tax loans reflected a more pronounced uptick. The number of these loans grew by 6.8%, while the total loan amount surged by an impressive 52.69%, indicating a significant increase in the average loan size. This could reflect rising property tax burdens or increased reliance on financing to cover these costs.

Refinancing activity more than doubled in volume, with a 103.91% increase in the number of loans and a 147.69% jump in total loan value. This dramatic growth suggests that many homeowners took advantage of favorable conditions, possibly lower interest rates or improved equity positions, to restructure their mortgages.

In contrast, home improvement loans declined slightly. The number of loans dropped by 4.05%, and the total amount fell by 4.17%, suggesting a potential cooling in renovation activity or a shift in consumer priorities.

Home equity loans, specifically cash-out refinances, experienced moderate growth. The number of loans rose by 8.54%, and the total loan amount increased by 16.57%, indicating that more homeowners tapped into their home equity, possibly for large expenses or debt consolidation. Finally, reverse mortgages showed a slight decline in volume, with a 2.93% decrease in the number of loans. However, the total loan amount increased by 3.16%, suggesting that while fewer seniors opted for reverse mortgages, those who did may have accessed larger sums.

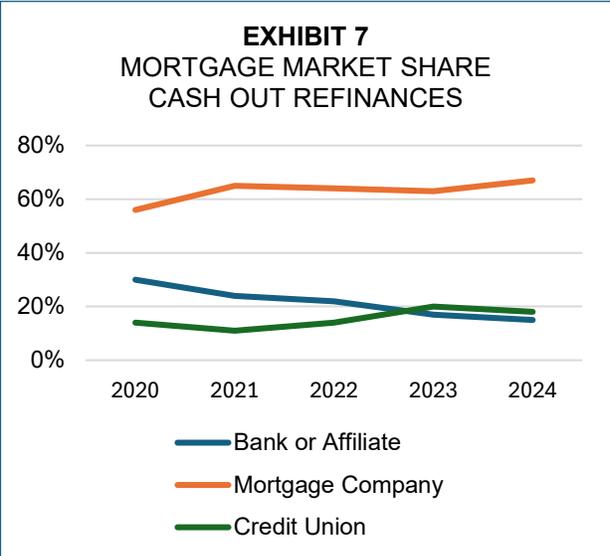
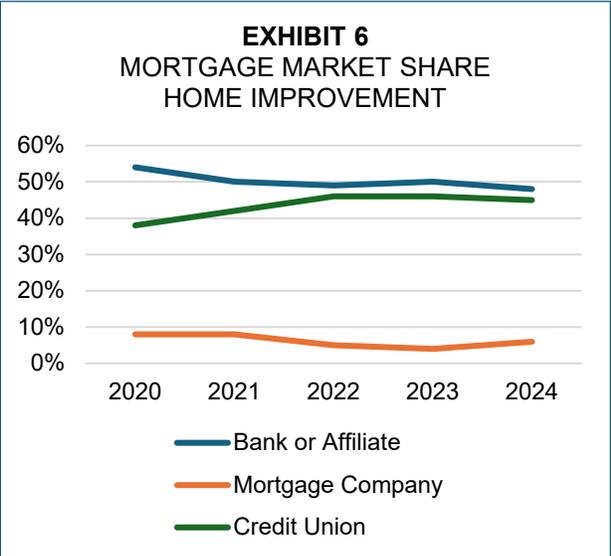
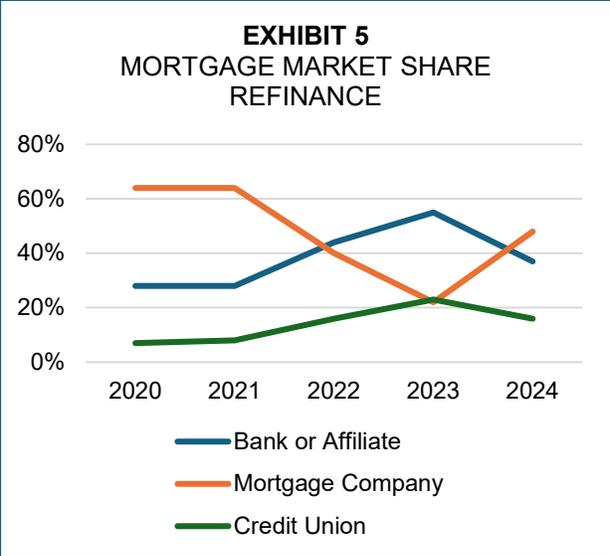
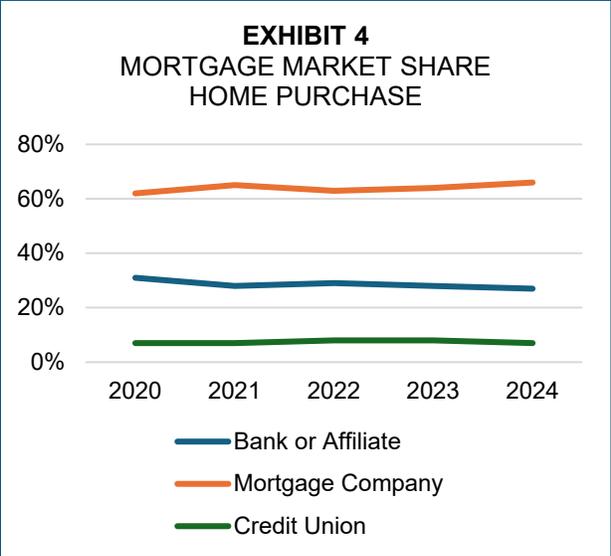
According to HMDA data and the National Community Reinvestment Coalition (NCRC) Mortgage Market Analysis<sup>2</sup> of mortgage loans made nationwide (not limited to Texas), the market share of 1–4-unit owner-occupied home mortgages originated by non-depository entities (mortgage companies/mortgage bankers) increased from 2023 to 2024, as shown in Exhibit 3.



Source: National Community Reinvestment Coalition Mortgage Market Analysis

The composition of the market share between banks, mortgage companies/mortgage bankers, and credit unions varies by the type of residential mortgage loan. Exhibits 4, 5, 6, and 7 reflect the market share between home purchase, refinance, home improvement, and cash-out refinance transactions, respectively:

<sup>2</sup> ["Mortgage Market Report Series - Part 1: Introduction to Mortgage Market Trends,"](#) National Community Reinvestment Coalition, 2025.



Source: National Community Reinvestment Coalition

## 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 Loan (Section 50(a)(1))

### Overview

A purchase money loan (home purchase 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.<sup>3</sup>

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.<sup>4</sup>

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 consider 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 Agriculture (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% of the purchase price, the lender typically requires the borrower to pay upfront and ongoing premiums for private mortgage insurance (PMI). PMI protects 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 event the borrower defaults on the loan and the proceeds of the foreclosure sale are insufficient to satisfy the loan. Borrowers can typically have PMI removed when the loan reaches 80% loan-to-value by paying down the mortgage or due to an increase in value.

Borrowers typically opt for a government-insured or government-guaranteed home loan when they lack the necessary down payment or credit history for a conventional loan.

FHA loans are home loans made by FHA-approved lenders and insured by the Federal Housing Administration. FHA loans allow for a lower down payment but require the borrower to pay upfront and ongoing FHA mortgage insurance premiums (MIP) to protect the holder of the promissory note in the event the borrower defaults on the loan and the proceeds of the foreclosure sale are

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<sup>3</sup> [Regulation C, 12 C.F.R. § 1003.2.](#)

<sup>4</sup> [Regulation C, 12 C.F.R. § 1003.2](#), [Regulation Z, 12 C.F.R. § 1026.2.](#)

insufficient to satisfy the loan. The ability to remove MIP depends on the down payment for the loan. If the down payment was less than 10%, MIP is required for the life of the loan.

USDA loans are 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 upfront and ongoing fees used to fund the program (upfront guarantee fee and annual fee). 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 residents;<sup>5</sup>
- 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. A VA loan has an upfront fee used to fund the program (VA 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)

A borrower without sufficient funds for a down payment may be able to avoid mortgage insurance premiums and funding fees by obtaining a secondary mortgage loan to purchase the home. This type of secondary mortgage loan is often referred to as a "piggy-back mortgage." However, given the risks involved for the lender, piggy-back mortgages are costly, but this option may make sense for a borrower who can quickly pay off the piggy-back 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:
  - (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.<sup>6</sup>

For a wrap loan to make economic sense for the wrap lender, the interest rate for the wrap loan generally must be higher than the junior-lien loan, which may be significantly higher than the prevailing interest rate for a new first-lien home purchase. A wrap borrower may be someone who, due to their credit background, cannot qualify for a first-lien home loan and poses an increased

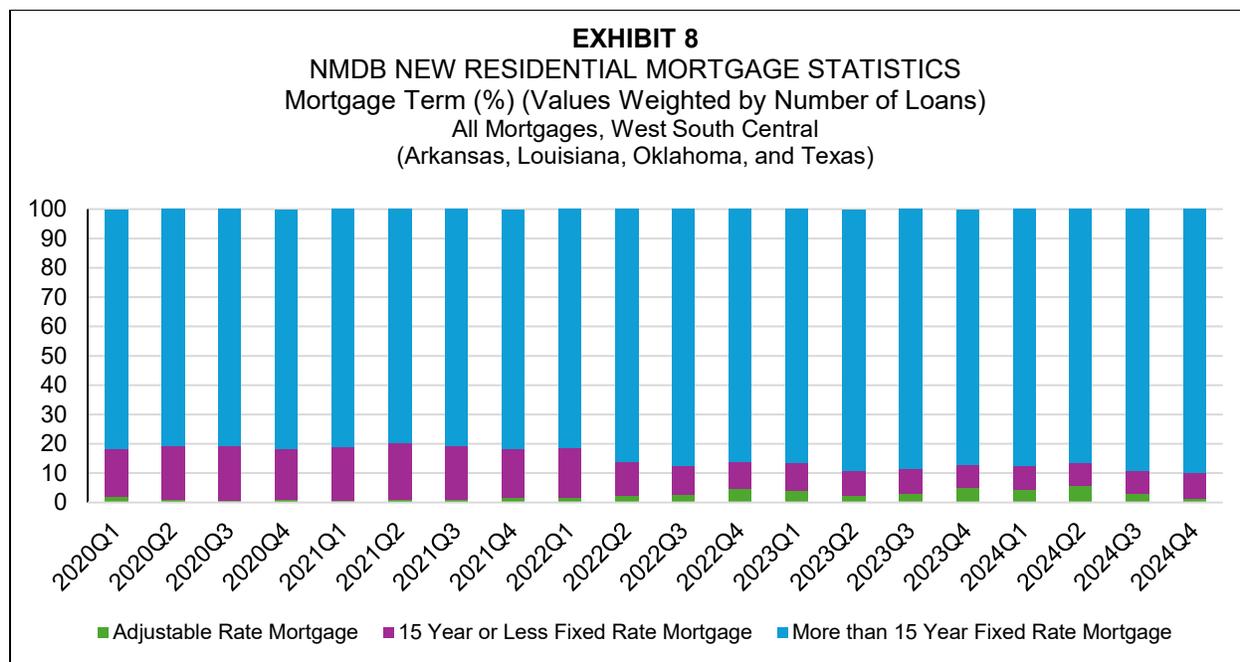
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<sup>5</sup> [42 U.S.C. § 1490.](#)

<sup>6</sup> [Tex. Fin. Code § 159.001\(7\).](#)

default risk for the wrap lender. For these reasons, a wrap loan tends to be the costliest option for a home purchase loan.

One of the issues impacting purchase money mortgages is the reemergence of adjustable-rate mortgages. An adjustable-rate mortgage (ARM) is a type of loan for which the interest rate can change, usually in relation to an index interest rate.<sup>7</sup> The monthly payment on an ARM will go up or down depending on the loan’s introductory period, rate caps, and the index interest rate. With an ARM, the interest rate and monthly payment may start out lower than for a fixed-rate mortgage, but both the interest rate and monthly payment can increase substantially. An ARM has four components: (1) an index, (2) a margin, (3) an interest rate cap structure, and (4) an initial interest rate period. When the initial interest rate period has expired, the new interest rate is calculated by adding a margin to the index. The lender will disclose the margin at the time of the loan application and in the promissory note. Typically, the index is the Constant Maturity Treasury (CMT) index (weekly average yield of U.S. Treasury securities, adjusted to a constant maturity of one year), published in the Wall Street Journal. The interest rate cap structure provides some protection from large interest rate swings. There are two types of caps: (1) annual, and (2) life-of-the-loan. The annual cap restricts the amount the interest rate can change, up or down, in any given year, while the life-of-the-loan cap limits the maximum (and minimum) interest rate the borrower can pay for the term of the loan. Exhibit 8 reflects the breakdown of all closed-end, first-lien residential mortgage loans in the West South-Central region (Arkansas, Louisiana, Oklahoma, and Texas) that are broken down between 15-year, 30-year, and adjustable-rate mortgages.



Source: FHFA, National Mortgage Database (NMDB)

While the number of 30-year fixed-rate mortgage loans remains relatively high, Exhibit 8 shows a noticeable increase in the number of adjustable-rate mortgages.

<sup>7</sup> [“Mortgage Answers: Mortgages Key Terms,”](#) Consumer Financial Protection Bureau, last modified December 28, 2022.

In an article published in the *Wall Street Journal*,<sup>8</sup> it was noted that “[t]he average rate for a 30-year fixed mortgage in the five days ended [October 29, 2025] was 6.15% compared with 5.46% for five-year and seven-year ARMs.” In addition to the attractive initial interest rate, the article concluded that “buyers are betting that mortgage rates will fall in the coming years, enabling them to refinance before the fixed terms of their ARM loans expire.”

The potential benefits and drawbacks of ARMs are explained in Exhibit 9.

<b>EXHIBIT 9</b> BENEFITS AND DRAWBACKS OF ADJUSTABLE-RATE MORTGAGES	
<b>Benefits</b>	<b>Drawbacks</b>
<u>Lower initial interest rate.</u> ARMs typically offer lower rates than fixed-rate mortgages for the initial period (e.g., 5, 7, or 10 years), which can lead to significant savings early on.	<u>Interest rate risk.</u> After the initial fixed interest rate period, the interest rate can increase significantly, leading to much higher monthly payments.
<u>Lower initial monthly payments.</u> Because of the lower initial interest rate, monthly payments prior to expiration of the initial fixed interest-rate period are lower.	<u>Payment uncertainty.</u> Future monthly payments will vary after the interest rate adjustments.
<u>Good for short-term homeowners.</u> Good for short-term homeowners who plan to sell the property or refinance to a fixed-rate mortgage before the adjustable-rate period begins.	<u>Complex Terms.</u> ARMs have complex terms that borrowers may not understand, including interest rate caps, margins, and indexes.
<u>Potential savings long term.</u> If prevailing interest rates fall, the interest rate for the loan may be lower when the interest rate adjusts.	<u>Refinancing risk.</u> If interest rates rise or the borrower’s financial situation changes, refinancing out of an ARM might not be possible or affordable.
<u>Qualification advantage.</u> Ability to qualify for a larger loan amount because of the lower monthly payments.	

Unless interest rates and home prices decline significantly, the growth of ARM transactions is expected to continue.

## Fees, Limitations, and Restrictions

Exhibit 10 contains key terms, limitations, and restrictions for home purchase loans.

<b>EXHIBIT 10</b> HOME PURCHASE LOANS – KEY ATTRIBUTES			
<b>Maximum Loan Limit for single-family residential property (2025)</b>	FHA loan	\$524,225 to \$571,500, depending on the MSA (Texas) <sup>9</sup>	
	VA loan	If full entitlement is available, none	If partial entitlement is available, the loan limit is \$806,500

<sup>8</sup> Nicole Friedman, “[Risky Loan From Housing-Bust Era is Making a Comeback](#),” *Wall Street Journal*, November 2, 2025.

<sup>9</sup> [FHA Mortgage Limits](#), U.S. Dept. of Housing and Urban Development, 2025.

<b>EXHIBIT 10</b>			
<b>HOME PURCHASE LOANS – KEY ATTRIBUTES</b>			
	USDA loan	Market Value of the Property plus the up-front loan guarantee fee <sup>10</sup>	
	Conventional loan	None, but Federal Housing Finance Agency establishes a maximum conforming loan limit of \$832,750 in Texas <sup>11</sup>	
<b>Maximum Interest Rate</b>	18% <sup>12</sup> (Texas law; however, some federal programs establish a lower rate)		
<b>Required Waiting Period for Closing</b>	7 business days, <sup>13</sup> unless there is a bona fide personal financial emergency		
<b>Required Downpayment</b>	FHA loan	Credit Score of 580 or higher	3.5% of the loan amount
		Credit Score of 500 to 579	10% of the loan amount
	VA loan	None	
	USDA loan	None	
	Conventional loan	Usually, 5 to 20% of the loan amount	
<b>Charges and Fees</b>	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 <sup>14</sup> 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;	

<sup>10</sup> [7 C.F.R. § 3555.103.](#)

<sup>11</sup> [“FHFA Announces Conforming Loan Limit Values for 2026,”](#) Federal Housing Finance Agency, November 25, 2025.

<sup>12</sup> [Tex. Fin. Code § 303.009](#) and [§ 342.301.](#)

<sup>13</sup> [Regulation Z, 12 C.F.R. § 1026.19\(a\)\(2\) and \(e\)\(1\)\(iii\).](#)

<sup>14</sup> [Tex. Fin. Code § 342.308.](#)

**EXHIBIT 10**  
HOME PURCHASE LOANS – KEY ATTRIBUTES

		<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> <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 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"> <li>• origination fees</li> <li>• discount points</li> <li>• lock-in and rate lock fees</li> <li>• per diem interest</li> <li>• reasonable and customary fees to include recording fees, credit report, survey fees, title insurance/examination, appraisal<sup>15</sup></li> </ul>
	VA loan	<p>A lender may charge the borrower the following fees and charges<sup>16</sup>:</p> <ul style="list-style-type: none"> <li>• flat charge not exceeding 1 percent of the amount of the loan by the lender;</li> <li>• reasonable discount points;</li> <li>• VA funding fee;</li> <li>• appraisal fees (VA-approved appraisal only);</li> <li>• recording fees;</li> </ul>

<sup>15</sup> [24 C.F.R. § 203.27](#) and [FHA Single Family Housing Policy Handbook](#).

<sup>16</sup> [38 C.F.R. § 36.4313](#).

**EXHIBIT 10**  
HOME PURCHASE LOANS – KEY ATTRIBUTES

		<ul style="list-style-type: none"> <li>• credit report fees;</li> <li>• prepaid items for taxes, assessments, and similar items;</li> <li>• hazard insurance;</li> <li>• survey fees;</li> <li>• title examination and title insurance fees;</li> <li>• flood determination fee;</li> <li>• MERS fee; and</li> <li>• other fees authorized in advance by the VA.</li> </ul>
	USDA loan	<p>The allowable fees and charges<sup>17</sup> are:</p> <ul style="list-style-type: none"> <li>• legal, architectural, and engineering fees;</li> <li>• title exam, title clearance, and title insurance;</li> <li>• transfer taxes and recordation fees;</li> <li>• appraisal, property inspection, surveying, environmental, tax monitoring, and technical services;</li> <li>• homeownership education.</li> <li>• reasonable and customary loan discount points to reduce the note interest rate from the rate authorized in <a href="#">7 C.F.R. § 3555.104(a)</a>.</li> <li>• reasonable and customary non-recurring closing costs associated with the mortgage transaction that do not exceed those charged to 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 to other applicants by the lender for a similar loan program that requires conventional mortgage insurance or guarantee. 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</li> </ul>

<sup>17</sup> [7 C.F.R. § 3555.101](#).

**EXHIBIT 10**  
HOME PURCHASE LOANS – KEY ATTRIBUTES

		<p>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"> <li>• 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.</li> <li>• 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.</li> <li>• The amount of the loan up-front guarantee fee required by <a href="#">7 C.F.R. § 3555.107(g)</a></li> <li>• The cost of establishing a cushion in the mortgage escrow account for payment of the annual fee required by <a href="#">7 C.F.R. § 3555.107(h)</a>, not to exceed 2 months.</li> <li>• 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.</li> </ul>	
<b>Late Fees</b>	Texas law	First-lien subject to DIDMCA <sup>18</sup>	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 <sup>19</sup>
		Junior-lien with an effective rate greater than 10%	5% of the payment amount after 10 days after the due date <sup>20</sup>

<sup>18</sup> [Tex. Fin. Code § 302.103.](#)

<sup>19</sup> [Tex. Fin. Code § 302.001\(d\).](#)

<sup>20</sup> [Tex. Fin. Code § 342.302.](#)

<b>EXHIBIT 10</b>			
<b>HOME PURCHASE LOANS – KEY ATTRIBUTES</b>			
	FHA loan <sup>21</sup> and VA loan <sup>22</sup>	4% of the past due amount that is 15 days after the due date	
<b>Maximum Term</b>	Texas law	None	
	FHA loan <sup>23</sup>	30 years	
	USDA loan <sup>24</sup>	30 years	
	Conventional loan	None	
<b>Required State Disclosures</b>	If a wrap mortgage was obtained to purchase the homestead property, the <a href="#">wrap disclosure</a> required by Tex. Fin. Code § 159.101.		
<b>Balloon Payment Permissible</b>	Texas law	Yes, unless prohibited by federal law.	
	FHA, <sup>25</sup> VA, <sup>26</sup> and USDA loans <sup>27</sup>	No	
<b>Housing Counseling Required</b>	No, except if the loan is a high-cost mortgage loan under <a href="#">Regulation Z, 12 C.F.R. § 1026.32</a>		
<b>Right of Rescission</b>	None		
<b>Prepayment Penalty Allowed</b>	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. <sup>28</sup> (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 <sup>29</sup>
	FHA, <sup>30</sup> VA, <sup>31</sup> and USDA <sup>32</sup> loans	No	
<b>Negative Amortization</b>	No <sup>33</sup>		

<sup>21</sup> [24 C.F.R. § 203.25.](#)

<sup>22</sup> [38 C.F.R. § 36.4212\(d\).](#)

<sup>23</sup> [24 C.F.R. § 203.17\(d\).](#)

<sup>24</sup> [7 C.F.R. § 3555.104\(b\).](#)

<sup>25</sup> [24 C.F.R. § 203.21.](#)

<sup>26</sup> [38 C.F.R. § 36.4211.](#)

<sup>27</sup> [7 C.F.R. § 3555.104.](#)

<sup>28</sup> [Tex. Fin. Code § 302.102.](#)

<sup>29</sup> [Tex. Fin. Code § 342.502.](#)

<sup>30</sup> [24 C.F.R. § 203.22.](#)

<sup>31</sup> [38 C.F.R. § 36.4211.](#)

<sup>32</sup> [7 C.F.R. § 3555.104.](#)

<sup>33</sup> [7 C.F.R. § 3555.104.](#)

## Loans Made Statistics

Exhibit 11 includes the lending activity for home purchase loan transactions over the past five calendar years.

<b>EXHIBIT 11</b>					
<b>HOME PURCHASE LOAN – LOANS MADE STATISTICS BY YEAR</b>					
	2020	2021	2022	2023	2024
Number of Loans	433,069	451,879	387,776	328,504	329,866
Amount of Loans	\$114,662,000,000	\$135,961,000,000	\$133,689,000,000	\$112,205,000,000	\$113,605,000,000
Average Loan Amount	\$264,766.12	\$300,879.22	\$344,758.31	\$341,564.03	\$344,398.90
Average Closing Costs	\$6,304.46	\$6,657.45	\$8,515.63	\$23,027.45	\$9,134.99
Average Interest Rate	3.39%	3.24%	5.02%	6.47%	6.43%

Source: HMDA Data – CFPB

From 2023 to 2024, the number and dollar amount of home purchase loans made in Texas slightly increased by 0.41% and 1.25%, respectively. Although the number and dollar amount of home purchase loans slightly increased, the number and dollar amount of purchase money loans is still less than 2022. The volume of home purchase loans is primarily attributed to mortgage interest rates, higher property values, property taxes, insurance costs, and restrictive housing supply.

The most significant change from 2022 to 2023 was the dramatic increase in closing costs from \$8,515.63 to \$23,027.45. Although the exact reasons for the rapid rise in closing costs are unknown, some factors contributing to the increase are higher homeowners' insurance premiums (a 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 2022 to 2023, as shown in Exhibit 12.

<b>EXHIBIT 12</b>				
<b>ORIGINATION FEES AND DISCOUNT POINTS BY YEAR</b>				
	2022	2023	Dollar Change	Percent Change
<b>Origination Fees</b>	\$ 3,355.83	\$ 3,772.49	\$ 416.66	12.42%
<b>Discount Points</b>	\$ 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.

For 2024, the average closing costs decreased significantly but were evaluated in comparison to pre-COVID transactions.

## 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, fire protection, and utilities.

When a consumer is unable to pay 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, or 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."<sup>34</sup>

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.<sup>35</sup>

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.<sup>36</sup>

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).<sup>37</sup> 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.

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<sup>34</sup> [Tex. Fin. Code § 351.002\(2\).](#)

<sup>35</sup> [Tex. Tax Code § 32.01.](#)

<sup>36</sup> [Tex. Tax Code § 32.05.](#)

<sup>37</sup> [Tex. Tax Code § 32.06\(a-1\).](#)

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;<sup>38</sup>
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;<sup>39</sup>
3. the taxes are not delinquent at the time of the property tax loan, and the property is not subject to another recorded lien;<sup>40</sup>
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;<sup>41</sup>
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;<sup>42</sup> 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 structure.<sup>43</sup>

## Fees, Limitations, and Restrictions

Exhibit 13 – Property Tax Loans contains key terms, limitations, and restrictions for property tax loans.

<b>EXHIBIT 13</b> PROPERTY TAX LOANS – KEY ATTRIBUTES	
<b>Maximum Loan Limit (Funds Advanced)<sup>44</sup></b>	The maximum property tax loan amount is limited to the Funds Advanced, which includes the following items: <ul style="list-style-type: none"> <li>• taxes, penalties, interest, and collection costs paid as shown on the tax receipt;</li> <li>• expenses to record the lien; and</li> <li>• reasonable closing costs.</li> </ul>
<b>Maximum Interest Rate</b>	18% <sup>45</sup>
<b>Required Waiting Period for Closing</b>	None
<b>Maximum Closing Costs<sup>46</sup> (residential only)</b>	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"> <li>• 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.</li> <li>• Title Defect Fee: If one or more documents must be prepared in order to address a defect in title on the</li> </ul>

<sup>38</sup> [Tex. Tax Code § 32.06\(a-3\).](#)

<sup>39</sup> [Tex. Tax Code § 32.06\(a-7\).](#)

<sup>40</sup> [Tex. Tax Code §§ 32.06\(a-2\) and 32.06\(a-7\).](#)

<sup>41</sup> [Tex. Tax Code §§ 32.06\(a-2\) and 32.06\(a-7\).](#)

<sup>42</sup> [Tex. Tax Code § 32.06\(a-8\).](#)

<sup>43</sup> [Tex. Tax Code § 32.06\(a-8\).](#)

<sup>44</sup> [Tex. Tax Code § 32.06\(e\).](#)

<sup>45</sup> [Tex. Tax Code § 32.06\(e\).](#)

<sup>46</sup> [Tex. Tax Code § 32.06\(a-4\)](#) and [7 Tex. Admin. Code § 89.601.](#)

<b>EXHIBIT 13</b> <b>PROPERTY TAX LOANS – KEY ATTRIBUTES</b>	
	<p>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.</p> <p>Bona-fide Discount Points (restrictions apply)</p>
<b>Late Fees</b> <sup>47</sup>	5% of the scheduled installment if any part of the installment remains unpaid after the 10 <sup>th</sup> day after the date the installment is due, including Sundays and holidays.
<b>Maximum Term of the Loan</b>	There is no maximum term for a property tax loan; however, the term usually varies from one to several years.
<b>Required State Disclosures</b>	<p><a href="#">Property Tax Pre-Closing Disclosure</a><sup>48</sup> (initial disclosure given to the borrower),</p> <p>Disclosure of the Type and Approximate Cost Range for Each Additional Charge,<sup>49</sup></p> <p><a href="#">Sworn Document Authorizing Transfer of Tax Lien</a><sup>50</sup> (authorization by the consumer to authorize the transfer of the tax lien), and</p> <p><a href="#">Certified Statement of Transfer of Tax Lien</a><sup>51</sup> (the document transferring the tax lien from the taxing unit to the property tax lender)</p>
<b>Balloon Payment Permissible</b>	Yes
<b>Housing Counseling Required</b>	There is no requirement for housing counseling on property tax loans.
<b>Right of Rescission</b>	Yes <sup>52</sup>
<b>Prepayment Penalty Allowed</b> <sup>53</sup>	No
<b>Negative Amortization</b>	No
<b>Key Restrictions and Limitations</b>	<p>There are several other important restrictions and limitations on property tax loans, including:</p> <ul style="list-style-type: none"> <li>• Restrictions on post-closing and servicing fees;<sup>54</sup></li> <li>• Judicial foreclosure required;<sup>55</sup> and</li> <li>• Special rights of redemption after foreclosure<sup>56</sup></li> </ul>

## Loans Made Statistics

Exhibit 14 includes the lending activity for residential property tax loan transactions over the past five calendar years.

<sup>47</sup> [Tex. Tax Code § 32.06\(e-2\)](#)

<sup>48</sup> [Tex. Tax Code § 32.06\(a-4\)\(1\)](#) and [7 Tex. Admin. Code § 89.504](#)

<sup>49</sup> [Tex. Tax Code § 32.06\(a-5\)](#) and [§ 32.065\(f\)](#)

<sup>50</sup> [Tex. Tax Code § 32.06\(a-1\)](#) and [7 Tex. Admin. Code § 89.701](#)

<sup>51</sup> [Tex. Tax Code § 32.06\(b\)](#) and [7 Tex. Admin. Code § 89.702](#)

<sup>52</sup> [Tex. Tax Code § 32.06\(d-1\)](#)

<sup>53</sup> [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 [\[Tex. Fin. Code Ch. 306\]](#), 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.”

<sup>54</sup> [Tex. Fin. Code § 351.0021](#) and [Tex. Tax Code § 32.06\(e-1\)](#).

<sup>55</sup> [Tex. Tax Code § 32.06\(c\)](#).

<sup>56</sup> [Tex. Tax Code § 32.06\(k\)](#) and [\(k-1\)](#).

<b>EXHIBIT 14</b>					
<b>PROPERTY TAX LOANS – LOANS MADE STATISTICS BY YEAR</b>					
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Number of Loans</b>	7,747	6,216	6,346	7,642	8,162
<b>Amount of Loans</b>	\$100,259,930	\$109,552,754	\$92,185,081	\$114,390,538	\$174,661,087
<b>Average Loan Amount</b>	\$12,942.00	\$17,624.00	\$14,526.00	\$14,969.00	\$21,399
<b>Average Closing Costs</b>	\$822.00	\$672.00	\$830.00	\$758.00	\$927.00
<b>Average Interest Rate</b>	13.09%	12.71%	12.99%	14.00%	13.99%

Source: OCC Financial Services Activity Reports

From 2023 to 2024, the number and dollar amount of property tax loans made in Texas increased 6.80% and 52.69%, respectively. The increase in both the number and dollar amount of property tax loans in Texas is being driven by a combination of economic, policy, and structural factors. The rising property tax values, increase in local tax collections, limited impact of tax relief measures, and economic pressures on homeowners contributed to the increase in the number and dollar amount of the property tax loans.

## 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.<sup>57</sup> 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 explicitly shown 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.

<sup>57</sup> [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.<sup>58</sup>

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 10.

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.<sup>59</sup>

## Loans Made Statistics

Exhibit 15 includes the lending activity for refinance transactions over the past five calendar years.

<b>EXHIBIT 15</b>					
REFINANCE OF LIEN – LOANS MADE STATISTICS BY YEAR					
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Number of Loans</b>	401,549	353,312	61,371	17,177	35,025
<b>Amount of Loans</b>	\$106,101,000,000	\$90,547,785,000	\$16,406,930,000	\$5,146,345,000	\$12,747,155,000

<sup>58</sup> [Regulation C, 12 C.F.R. § 1003.2.](#)

<sup>59</sup> [Tex. Const. Art. XVI, Sec. 50\(f\)](#) and [7 Texas Administrative Code §153.45.](#)

<b>Average Loan Amount</b>	\$264,229.27	\$256,282.79	\$267,340.11	\$299,606.74	\$363,944.47
<b>Average Closing Costs</b>	\$4,214.70	\$4,213.14	\$5,565.55	\$7,677.29	\$6,880.85
<b>Average Interest Rate</b>	3.03%	2.76%	3.82%	6.78%	6.37%

Source: HMDA Data – CFPB

From 2023 to 2024, the number and dollar amount of refinance loans made in Texas increased 103.91% and 147.69%, respectively. Although the refinance transactions are substantially higher, the number and dollar amount of refinance loans is still below historical averages.

The National Mortgage Professional explained this increase in refinance transactions on a national level as follows:

“Mortgage refinancing activity defied expectations, rising 6.4% to 642,000 loans in Q4 despite climbing interest rates. Homeowners seemingly sought to lock in more favorable terms before rates ticked higher. Refinancing volume has now reached its highest level since mid-2022, though it remains well below 2021’s peak.”<sup>60</sup>

## 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.<sup>61</sup>

Exhibit 16 – Home Improvement Loan contains key terms, limitations, and restrictions for home purchase loans.

<b>EXHIBIT 16</b>			
<b>HOME IMPROVEMENT LOAN – KEY ATTRIBUTES</b>			
<b>Maximum Loan Limit for single-family residential property and manufactured home that qualifies as real property (2025)</b>	FHA loan	Title I (single family) <sup>62</sup>	\$25,000
		Title I (manufactured home considered as real property) <sup>63</sup>	\$148,909 (to purchase or refinance a manufactured home and lot) \$105,532 (single section) \$43,377 (manufactured home lot loan) <sup>64</sup>
	Conventional loan	None, but Federal Housing Finance Agency establishes a maximum conforming loan limit of \$806,500 in Texas.	

<sup>60</sup> Kathryn Fitzpatrick, “[Refinancing Up In Q4 Despite Broader U.S. Mortgage Slowdown – NMP](#),” National Mortgage Professional, February 27, 2025.

<sup>61</sup> [Regulation C, 12 C.F.R. §1003.2](#).

<sup>62</sup> [24 C.F.R § 201.10](#) and [FHA Single Family Housing Policy Handbook](#).

<sup>63</sup> [24 C.F.R § 201.10](#) and [FHA Single Family Housing Policy Handbook](#).

<sup>64</sup> “[Title I Manufactured Home Loan Program Allowable Loan Parameters](#),” U.S. Housing and Urban Development, March 2024.

<b>EXHIBIT 16</b>		
HOME IMPROVEMENT LOAN – KEY ATTRIBUTES		
<b>Maximum Interest Rate</b>	18% <sup>65</sup> (Texas law; however, some federal programs establish a lower rate)	
<b>Required Waiting Period for Closing</b>	Federal: 7 business days, <sup>66</sup> unless there is a bona fide personal financial emergency  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	
<b>Charges and Fees</b>	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 <sup>67</sup> 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 insurance, or other insurance that protects the mortgagee against

<sup>65</sup> [Tex. Fin. Code §§ 303.009, 342.301, and 345.056.](#)

<sup>66</sup> [Regulation Z, 12 C.F.R. § 1026.19\(a\)\(2\) and \(e\)\(1\)\(iii\).](#)

<sup>67</sup> [Tex. Fin. Code § 342.308.](#)

**EXHIBIT 16**  
HOME IMPROVEMENT LOAN – KEY ATTRIBUTES

		<p>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 fees<sup>68</sup> are permissible:</p> <ul style="list-style-type: none"> <li>• recording fees paid to a public official</li> <li>• official fees for a construction permit or the filing or recording of a construction permit</li> <li>• title insurance or title examination as established by the Tex. Dept. of Insurance</li> <li>• appraisal fees paid to a non-salaried employee of the holder</li> <li>• credit report fee</li> <li>• document preparation fees paid to a licensed Texas attorney; and</li> <li>• debt cancellation fee</li> </ul>	
	<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)<sup>69</sup></p> <ul style="list-style-type: none"> <li>• 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, 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>);</li> </ul>

<sup>68</sup> [Tex. Fin. Code § 345.005.](#)

<sup>69</sup> [24 C.F.R. §201.25](#) and [FHA Single Family Housing Policy Handbook.](#)

<b>EXHIBIT 16</b>			
<b>HOME IMPROVEMENT LOAN – KEY ATTRIBUTES</b>			
			<ul style="list-style-type: none"> <li>• fees for architectural and engineering services;</li> <li>• building permits;</li> <li>• the credit report;</li> <li>• 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;</li> <li>• title examination;</li> <li>• fees for determining whether the Property is in a flood zone;</li> <li>• recording fees, recording taxes, filing fees, and documentary stamp taxes; and</li> <li>• a fee for inspection of the property by a Lender or its agent, not to exceed \$250.</li> </ul>
<b>Late Fees</b>	Texas law	First-lien subject to DIDMCA <sup>70</sup>	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 <sup>71</sup>
		Junior-lien with an effective rate greater than 10%	5% of the payment amount after 10 days after the due date <sup>72</sup>
		Retail installment contract subject to Chapter 345 of the Tex. Fin. Code (junior-lien only)	Lesser of 5% of the installment or \$5 after the installment remains unpaid after the 10 <sup>th</sup> day after the due date
	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 <sup>73</sup>	
<b>Maximum Term of the Loan</b>	Texas law	None	
	FHA loan	Title I (single family) <sup>74</sup>	20 years and 32 days
		Title I (manufactured home) <sup>75</sup>	15 years and 32 days
	Conventional loan	None	

<sup>70</sup> [Tex. Fin. Code § 302.103.](#)

<sup>71</sup> [Tex. Fin. Code § 302.001\(d\).](#)

<sup>72</sup> [Tex. Fin. Code § 342.302.](#)

<sup>73</sup> [24 C.F.R. § 201.15](#) and [FHA Single Family Housing Policy Handbook.](#)

<sup>74</sup> [24 C.F.R. §201.11](#) and [FHA Single Family Housing Policy Handbook.](#)

<sup>75</sup> [24 C.F.R. §201.11](#) and [FHA Single Family Housing Policy Handbook.](#)

<b>EXHIBIT 16</b>			
HOME IMPROVEMENT LOAN – KEY ATTRIBUTES			
<b>Required State Disclosures</b>	Home Improvement Contract Disclosure <sup>76</sup> Disclosures and Notices required by Ch. 53 of Tex. Prop. Code <sup>77</sup>		
<b>Balloon Payment Permissible</b>	Texas law	Yes, unless prohibited by federal law <sup>78</sup>	
	FHA loan	Title I <sup>79</sup>	Yes, final payment may not exceed 1.5 times the regular installment
<b>Housing Counseling Required</b>	No, except if the loan is a high-cost mortgage loan		
<b>Right of Rescission</b>	Yes <sup>80</sup>		
<b>Prepayment Penalty Allowed</b>	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. <sup>81</sup> (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 <sup>82</sup>
	FHA loan	No <sup>83</sup>	
<b>Negative Amortization</b>	No <sup>84</sup>		
<b>Location of Closing Limitation</b>	Yes, <sup>85</sup> a home improvement loan may be closed only at an office of the lender, an attorney at law, or a title company.		
<b>Key Restrictions and Limitations</b>	Written contract for the work and material required <sup>86</sup>		

## Loans Made Statistics

<sup>76</sup> [Tex. Prop. Code § 41.007.](#)

<sup>77</sup> [Tex. Prop. Code Ch. 53.](#)

<sup>78</sup> [7 Tex. Admin. Code § 83.708.](#)

<sup>79</sup> [24 C.F.R. § 201.14.](#)

<sup>80</sup> [Tex. Const., Art. XVI, Sec. 50\(a\)\(5\)\(C\).](#)

<sup>81</sup> [Tex. Fin. Code § 302.102.](#)

<sup>82</sup> [Tex. Fin. Code § 345.502.](#)

<sup>83</sup> [24 C.F.R. § 201.17.](#)

<sup>84</sup> [Tex. Fin. Code § 342.002](#) and [24 C.F.R. § 201.13.](#)

<sup>85</sup> [Tex. Const., Art. XVI, Sec. 50\(a\)\(5\)\(D\).](#)

<sup>86</sup> [Tex. Const., Art. XVI, Sec. 50\(a\)\(5\)\(B\).](#)

Exhibit 17 includes the lending activity for home improvement transactions over the past five calendar years.

<b>EXHIBIT 17</b>					
<b>HOME IMPROVEMENT LOAN – LOANS MADE STATISTICS BY YEAR</b>					
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Number of Loans</b>	16,602	16,586	22,393	17,606	16,893
<b>Amount of Loans</b>	\$1,908,610,000	\$2,230,830,000	\$3,102,785,000	\$2,132,060,000	\$2,043,145,000
<b>Average Loan Amount</b>	\$114,962.66	\$134,500.78	\$138,560.49	\$121,098.49	\$120,946.25
<b>Average Closing Costs</b>	\$1,456.22	\$1,670.27	\$1,595.59	\$1,254.22	\$1,265.48
<b>Average Interest Rate</b>	4.19%	3.78%	5.06%	7.58%	7.95%

Source: HMDA Data – CFPB

From 2023 to 2024, the number and dollar amount of home improvement loans made in Texas decreased by 4.05% and 4.17%, respectively. The decline in home improvement loans is likely attributable to the 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.<sup>87</sup> Borrowers may only have one home equity loan against an existing homestead at any given time.<sup>88</sup> 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.<sup>89</sup>

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-

<sup>87</sup> [7 Tex. Admin. Code § 153.14.](#)

<sup>88</sup> [Tex. Const., Art. XVI, Sec 50\(a\)\(6\)\(K\).](#)

<sup>89</sup> [Tex. Const., Art. XVI, Sec. 50\(f\)\(2\)](#) and [7 Tex. Admin. Code § 153.45.](#)

income ratios are also considered to ensure borrowers have enough income to repay the home equity loan.

## Fees, Limitations, and Restrictions

Exhibit 18 – Home Equity Loans and Home Equity Lines of Credit contains key terms, limitations, and restrictions for home equity loans and home equity lines of credit.

<b>EXHIBIT 18</b> HOME EQUITY LOANS AND HOME EQUITY LINES OF CREDIT – KEY ATTRIBUTES			
<b>Maximum Loan Limit</b> <sup>90</sup>	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.		
<b>Maximum Interest Rate</b> <sup>91</sup>	18% <sup>92</sup>		
<b>Required Waiting Period for Closing</b>	12-day waiting period <sup>93</sup> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>		
<b>Maximum Closing Costs</b> <sup>94</sup>	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"> <li>• an appraisal performed by a third-party appraiser,</li> <li>• a property survey performed by a state registered or licensed surveyor,</li> <li>• 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,</li> <li>• per diem interest; and</li> <li>• reasonable and bona fide discount points.</li> </ul>		
<b>Late Fees</b>	Texas law	First-lien subject to DIDMCA	No limits

<sup>90</sup> [Tex. Const., Art. XVI, Sec. 50\(a\)\(6\)\(B\)](#), 7 Tex. Admin. Code §§ [153.3](#), and [153.86](#).

<sup>91</sup> [Tex. Const., Art. XVI, Sec. 50\(a\)\(6\)\(O\)](#) and [7 Tex. Admin. Code § 153.16](#).

<sup>92</sup> Tex. Fin. Code §§ [303.009](#) and [342.301](#).

<sup>93</sup> [Tex. Const., Art. XVI, Sec. 50\(a\)\(6\)\(M\)\(i\)](#) and [7 Tex. Admin. Code §153.12](#).

<sup>94</sup> [Tex. Const., Art. XVI, Sec. 50\(a\)\(6\)\(E\)](#) and [7 Tex. Admin. Code § 153.5](#).

<b>EXHIBIT 18</b>			
HOME EQUITY LOANS AND HOME EQUITY LINES OF CREDIT – KEY ATTRIBUTES			
		Junior Lien with an effective rate of 10% or less <sup>95</sup>	Greater of 5% of the payment amount or \$7.50 after 10 days after the due date
		Junior-lien with an effective rate greater than 10% <sup>96</sup>	5% of the payment amount after 10 days after the due date
<b>Maximum Term of the Loan</b>	<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.<sup>97</sup></p>		
<b>Required State Disclosures</b>	<a href="#">Consumer Disclosure</a> (Home Equity Disclosure) <sup>98</sup>		
<b>Balloon Payment Permissible</b>	No <sup>99</sup>		
<b>Housing Counseling Required</b>	No, except if the loan is a high-cost mortgage loan.		
<b>Right of Rescission</b>	Yes <sup>100</sup>		
<b>Prepayment Penalty<sup>101</sup> Allowed</b>	No <sup>102</sup>		
<b>Negative Amortization</b>	No <sup>103</sup>		
<b>Location of Closing Limitation</b>	Yes <sup>104</sup> , an equity loan may be closed only at an office of the lender, an attorney at law, or a title company.		
<b>Key Restrictions and Limitations</b>	<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"> <li>• Required voluntary consent of each owner and each owner's spouse<sup>105</sup></li> <li>• Nonrecourse of the deficiency balance after the foreclosure sale<sup>106</sup></li> <li>• No additional real or personal property as collateral other than the homestead property<sup>107</sup></li> <li>• Number of equity loans limited to one at a time<sup>108</sup></li> <li>• One-year prohibition<sup>109</sup></li> </ul>		

<sup>95</sup> [Tex. Fin. Code §302.001.](#)

<sup>96</sup> [Tex. Fin. Code §342.302.](#)

<sup>97</sup> [Tex. Const., Art. XVI, Sec. 50\(t\)\(8\)](#) and [7 Tex. Admin. Code § 153.88.](#)

<sup>98</sup> [Tex. Const., Art. XVI, Sec. 50\(g\)](#) and [7 Tex. Admin. Code § 153.51.](#)

<sup>99</sup> [Tex. Const., Art. XVI, Sec. 50\(a\)\(6\)\(L\)\(i\)](#) and [7 Tex. Admin. Code § 153.11.](#)

<sup>100</sup> [Tex. Const., Art. XVI, Sec. 50\(a\)\(6\)\(Q\)\(viii\)](#) and [7 Tex. Admin. Code § 153.25.](#)

<sup>101</sup> [Tex. Fin. Code § 301.002\(a\)\(15\).](#)

<sup>102</sup> [Tex. Const., Art. XVI, Sec. 50\(a\)\(6\)\(G\)](#) and [7 Tex. Admin. Code § 153.7.](#)

<sup>103</sup> [Tex. Const., Art. XVI, Sec. 50\(t\)\(8\)](#) and [7 Tex. Admin. Code § 153.88.](#)

<sup>104</sup> [Tex. Const., Art. XVI, Sec. 50\(a\)\(6\)\(N\)](#) and [7 Tex. Admin. Code § 153.15.](#)

<sup>105</sup> [Tex. Const., Art. XVI, Sec. 50\(a\)\(6\)\(A\)](#) and [7 Tex. Admin. Code § 153.2.](#)

<sup>106</sup> [Tex. Const., Art. XVI, Sec. 50\(a\)\(6\)\(C\)](#) and [7 Tex. Admin. Code § 153.4.](#)

<sup>107</sup> [Tex. Const., Art. XVI, Sec. 50\(a\)\(6\)\(H\)](#) and [7 Tex. Admin. Code § 153.8.](#)

<sup>108</sup> [Tex. Const., Article XVI, Sec. 50\(a\)\(6\)\(K\)](#) and [7 Tex. Admin. Code § 153.10.](#)

<sup>109</sup> [Tex. Const., Art. XVI, Sec. 50\(a\)\(6\)\(M\)\(iii\)](#) and [7 Tex. Admin. Code § 153.14.](#)

<b>EXHIBIT 18</b> HOME EQUITY LOANS AND HOME EQUITY LINES OF CREDIT – KEY ATTRIBUTES	
	<ul style="list-style-type: none"> <li>• \$4,000 Minimum Draw on HELOC<sup>110</sup></li> <li>• No credit card, debit card, or preprinted check permitted to obtain a draw<sup>111</sup></li> <li>• No cash advance fees are permitted<sup>112</sup></li> </ul>

### Loans Made Statistics

Exhibit 19 includes the lending activity for cash-out refinances over the past five calendar years.

<b>EXHIBIT 19</b> HOME EQUITY LOAN – LOANS MADE STATISTICS BY YEAR (Cash Out Refinancing)					
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Number of Loans</b>	98,117	144,626	96,111	39,002	42,332
<b>Amount of Loans</b>	\$23,161,715,000	\$36,934,095,000	\$24,003,515,000	\$ 7,672,295,000	\$8,943,730,000
<b>Average Loan Amount</b>	\$236,062.20	\$255,376.59	\$249,747.84	\$ 196,720.47	\$211,275.87
<b>Average Closing Costs</b>	\$5,032.93	\$5,170.06	\$6,386.53	\$ 5,791.05	\$6,470.86
<b>Average Interest Rate</b>	3.51%	3.18%	4.71%	7.37%	7.31%

Source: HMDA Data – CFPB

From 2023 to 2024, the number and dollar amount of cash-out refinances made in Texas increased by 8.54% and 16.57%, respectively. Home equity loans increased primarily due to increasing mortgage interest rates.

In 2024, approximately 39 percent of borrowers cited debt consolidation as the reason for applying for a home equity loan, compared to 25 percent two years prior. Those borrowers who indicated home renovations as their reason for usage dropped to 46 percent of volume, compared to 65 percent in 2022.<sup>113</sup>

Exhibit 20 reflects the number and dollar amount of home equity lines of credit made by SML licensees and registrants over the past five years.

<sup>110</sup> [Tex. Const., Art. XVI, Sec. 50\(t\)\(2\).](#)

<sup>111</sup> [Tex. Const., Art. XVI, Sec. 50\(t\)\(3\)](#) and [7 Tex. Admin. Code § 153.84.](#)

<sup>112</sup> [Tex. Const., Art. XVI, Sec. 50\(t\)\(5\).](#)

<sup>113</sup> Falen Taylor, “MBA Home Equity Study Shows Increase in Originations, Debt Outstanding in 2024,” Mortgage Bankers Association, July 28, 2025.

<b>EXHIBIT 20</b>					
<b>HOME EQUITY LINES OF CREDIT – LOANS MADE STATISTICS BY YEAR</b>					
<b>(By SML Regulated Entities)</b>					
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Number of Loans</b>	101	97	745	503	3,372
<b>Amount of Loans</b>	\$17,146,818	\$20,056,889	\$167,442,380	\$110,413,346	\$360,974,273

Cash-out refinances were once a primary vehicle for accessing home equity. However, during the COVID-19 pandemic, a significant share of U.S. households purchased or refinanced properties at historically favorable mortgage rates—many below 4%—locking in long-term financing costs well below historical averages.

Bankrate.com explained the substantial increase in home equity lines of credit as follows:

Today, giving up that low rate for something closer to 7 percent – as a [refinance] would require — doesn’t make sense for many homeowners. ‘The steady rise in home prices means homeowners are sitting on more equity than ever, and with mortgage rates around 7 percent, cash-out refinancing is not a viable way to tap equity for borrowers with much lower mortgage rates,’ says Greg McBride, former chief financial analyst at Bankrate. ‘More equity amid higher mortgage rates means borrowers are looking for home equity lines in larger numbers, lenders are approving larger lines of credit and borrowers are tapping into those lines.’<sup>114</sup>

## 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.<sup>115</sup>

A reverse mortgage transaction<sup>116</sup> 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 20 below.

<sup>114</sup> Linda Bell, “[More People Are Taking Out HELOCs. Here’s why.](#)” Bankrate.com, February 17, 2025.

<sup>115</sup> [Regulation C, 12 C.F.R. §1003.2\(q\).](#)

<sup>116</sup> [Regulation Z, 12 C.F.R. § 1026.33\(a\).](#)

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 loan or a 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 for older borrowers, with higher-priced homes, and lower interest rates will have higher principal limits than loans for younger borrowers, with lower-priced homes, and higher interest rates.

There are two types of reverse mortgages - (1) a Home Equity Conversion Mortgage (HECM) that is government-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.

Under the FHA-insured HECM product, the youngest borrower must be 62 years of age or older at the time of loan closing;<sup>117</sup> 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

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<sup>117</sup> [24 C.F.R. § 206.33](#).

Exhibit 21 – Reverse Mortgage Loan contains key terms, limitations, and restrictions for reverse mortgages.

<b>EXHIBIT 21</b> REVERSE MORTGAGE LOAN – KEY ATTRIBUTES		
<b>Maximum Loan Limit (2025)</b>	FHA Home Equity Conversion Mortgage (HECM)	\$1,209,750 <sup>118</sup>
	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.
<b>Maximum Interest Rate</b>	18% <sup>119</sup>	
<b>Required Waiting Period for Closing</b>	12-day waiting period <sup>120</sup> <ul style="list-style-type: none"> <li>• A reverse mortgage may not be closed before the 12th day after the date the lender provides the prospective borrower the required consumer disclosure.</li> <li>• The consumer disclosure must be on a separate document.</li> </ul>	
<b>Maximum Closing Costs</b>	FHA Home Equity Conversion Mortgage (HECM)	HECM One-Time Mortgage Insurance Premium In addition to the upfront mortgage insurance premium of 2% of the property value or maximum claim amount whichever is less <sup>121</sup> , the lender or mortgagee may collect additional cost at closing.  <i>Fees at closing</i> <sup>122</sup> . 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:

<sup>118</sup> [Mortgagee Letter 2024-22](#), U.S. Department of Housing and Urban Development, November 26, 2024.

<sup>119</sup> Tex. Fin. Code §§ [303.009](#), [342.301](#), and [346.101](#).

<sup>120</sup> [Tex. Const., Art. XVI, Sec. 50\(k\)\(9\)](#).

<sup>121</sup> [24 C.F.R. §206.105](#).

<sup>122</sup> [24 C.F.R. §206.31](#).

**EXHIBIT 21**  
**REVERSE MORTGAGE LOAN – KEY ATTRIBUTES**

	<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 (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>(2) <i>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"> <li>(i) Recording fees and recording taxes, or other charges incident to the recordation of the insured mortgage;</li> <li>(ii) Credit report;</li> <li>(iii) Survey, if required by the mortgagee or the borrower;</li> <li>(iv) Title examination;</li> <li>(v) Mortgagee's title insurance;</li> <li>(vi) Fees paid to an appraiser for the initial appraisal of the property;</li> <li>(vii) Flood certifications; and</li> <li>(viii) Such other charges as may be authorized by the Commissioner.</li> </ul> <p>(b) <i>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 pursuant to <a href="#">§ 206.47(c)</a> and <a href="#">(d)</a>, not to</p>
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**EXHIBIT 21**  
**REVERSE MORTGAGE LOAN – KEY ATTRIBUTES**

		<p>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.</p>
	<p>Proprietary Reverse Mortgage</p>	<p>Reasonable and customary fees</p>
<p><b>Late Fees</b></p>	<p>None (no payments are due on a reverse mortgage)</p>	
<p><b>Required Repayment Date</b></p>	<p>On a reverse mortgage, the repayment of the principal or interest is not required until one of the following events occurs:<sup>123</sup></p> <ul style="list-style-type: none"> <li>• all borrowers have died;</li> <li>• the homestead property securing the loan is sold or otherwise transferred;</li> <li>• all borrowers cease occupying the homestead property for a period of longer than 12 consecutive months without prior written approval from the lender;</li> <li>• 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</li> <li>• the borrower: <ul style="list-style-type: none"> <li>○ defaults on an obligation specified in the loan documents to repair and maintain, pay taxes and assessments on, or insure the homestead property;</li> <li>○ commits actual fraud in connection with the loan; or</li> <li>○ 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: <ol style="list-style-type: none"> <li>1. agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to the lender;</li> <li>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</li> <li>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.</li> </ol> </li> </ul> </li> </ul>	
<p><b>Required State Disclosures</b></p>	<p><a href="#">Consumer Disclosure</a> (Reverse Mortgage Disclosure)<sup>124</sup></p>	

<sup>123</sup> [Tex. Const., Art. XVI, Sec. 50\(k\)\(6\).](#)

<sup>124</sup> [Tex. Const., Art. XVI, Sec. 50\(k\)\(9\)](#)

<b>EXHIBIT 21</b>		
<b>REVERSE MORTGAGE LOAN – KEY ATTRIBUTES</b>		
<b>Housing Counseling Required</b>	Yes, <sup>125</sup> 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.	
<b>Right of Rescission (3-day right of rescission)</b>	Yes, <sup>126</sup> except for reverse mortgage transactions made to purchase the home.	
<b>Prepayment Penalty<sup>127</sup> Allowed</b>	No <sup>128</sup>	
<b>Negative Amortization</b>	Yes <sup>129</sup>	
<b>Monthly Mortgage Insurance Premium</b>	Monthly Mortgage Insurance Premium on HECMs <sup>130</sup>	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.
<b>Servicing Fees<sup>131</sup></b>	<p>Monthly servicing fees on HECMs</p> <ul style="list-style-type: none"> <li>• \$30.00 or less for a reverse mortgage that has a fixed rate or a rate that adjusts annually</li> <li>• \$35.00 or less for a reverse mortgage where the rate adjusts monthly</li> <li>• At loan closing, the lender sets aside the servicing fee and deducts the fee from the consumer’s available funds.</li> <li>• Each month the monthly servicing fee is added to consumer’s loan balance.</li> <li>• Lenders may also include the servicing fee in the mortgage interest rate.</li> </ul> <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>	
<b>Key Restrictions and Limitations</b>	<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"> <li>• Age limitation – 62 or older<sup>132</sup></li> <li>• Required voluntary consent of each owner and each owner’s spouse<sup>133</sup></li> </ul>	

<sup>125</sup> [Tex. Const., Art. XVI, Sec. 50\(k\)\(8\)](#)

<sup>126</sup> [Regulation Z, 12 C.F.R. §§ 1026.15 and 1026.23.](#)

<sup>127</sup> [Tex. Fin. Code § 301.002\(a\)\(15\).](#)

<sup>128</sup> [24 C.F.R. §206.209.](#)

<sup>129</sup> [Tex. Const., Art. XVI, Sec. 50\(m\) and \(n\)\(6\).](#)

<sup>130</sup> [24 C.F.R. § 206.105\(b\)](#) and “[Home Equity Conversion Mortgages for Seniors](#),” U.S. Department of Housing and Urban Development.

<sup>131</sup> [24 C.F.R. § 206.207](#) and “[Home Equity Conversion Mortgages for Seniors](#),” U.S. Department of Housing and Urban Development.

<sup>132</sup> [Tex. Const., Art. XVI, Sec. 50\(k\)\(2\).](#)

<sup>133</sup> [Tex. Const., Art. XVI, Sec. 50\(k\)\(1\).](#)

<b>EXHIBIT 21</b> REVERSE MORTGAGE LOAN – KEY ATTRIBUTES	
	<ul style="list-style-type: none"> <li>• Nonrecourse of the deficiency balance after the foreclosure sale<sup>134</sup></li> <li>• Judicial foreclosure and other foreclosure protections<sup>135</sup></li> </ul>

### Loans Made Statistics

Exhibit 22 includes the lending activity for reverse mortgages over the past five calendar years.

<b>EXHIBIT 22</b> REVERSE MORTGAGE – LOANS MADE STATISTICS BY YEAR					
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Number of Loans</b>	2,624	3,133	3,807	1,948	1,890
<b>Amount of Loans</b>	\$362,275,000	\$530,685,000	\$707,185,000	\$ 316,865,000	\$326,880,000
<b>Average Loan Amount</b>	\$138,062.12	\$169,385.57	\$185,759.13	\$ 162,745.25	\$172,952.38
<b>Average Interest Rate</b>	3.36%	2.56%	5.01%	7.60%	7.08%

Source: HMDA Data – CFPB

From 2023 to 2024, the number of reverse mortgages declined 2.93%; however, the dollar amount of reverse mortgages made in Texas increased by 3.16%.

## 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.<sup>136</sup>

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;

<sup>134</sup> [Tex. Const., Art. XVI, Sec. 50\(k\)\(3\).](#)

<sup>135</sup> [Tex. Const., Art. XVI, Sec. 50\(k\)\(10\) and \(11\).](#)

<sup>136</sup> [Tex. Occ. Code § 1201.003\(18\).](#)

- (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 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.<sup>137</sup>

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.<sup>138</sup> 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 23 includes the lending activity for manufactured home loans and retail installment contracts made by OCCC-regulated lenders over the past five calendar years.

<b>EXHIBIT 23</b>					
MANUFACTURED HOME LOANS AND RETAIL INSTALLMENT CONTRACTS					
LOANS MADE STATISTICS BY YEAR					
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Number of Loans</b>	9,031	9,046	3,145	4,818	5,503
<b>Amount of Loans</b>	\$ 691,442,649	\$ 799,399,398	\$ 346,378,876	\$ 505,412,306	\$551,780,953

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.

<sup>137</sup> [Tex. Occ. Code § 1201.2055.](#)

<sup>138</sup> [Tex. Fin. Code Ch. 347.](#)

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 11 and 15.

## Factors Affecting Residential Mortgage Loans

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

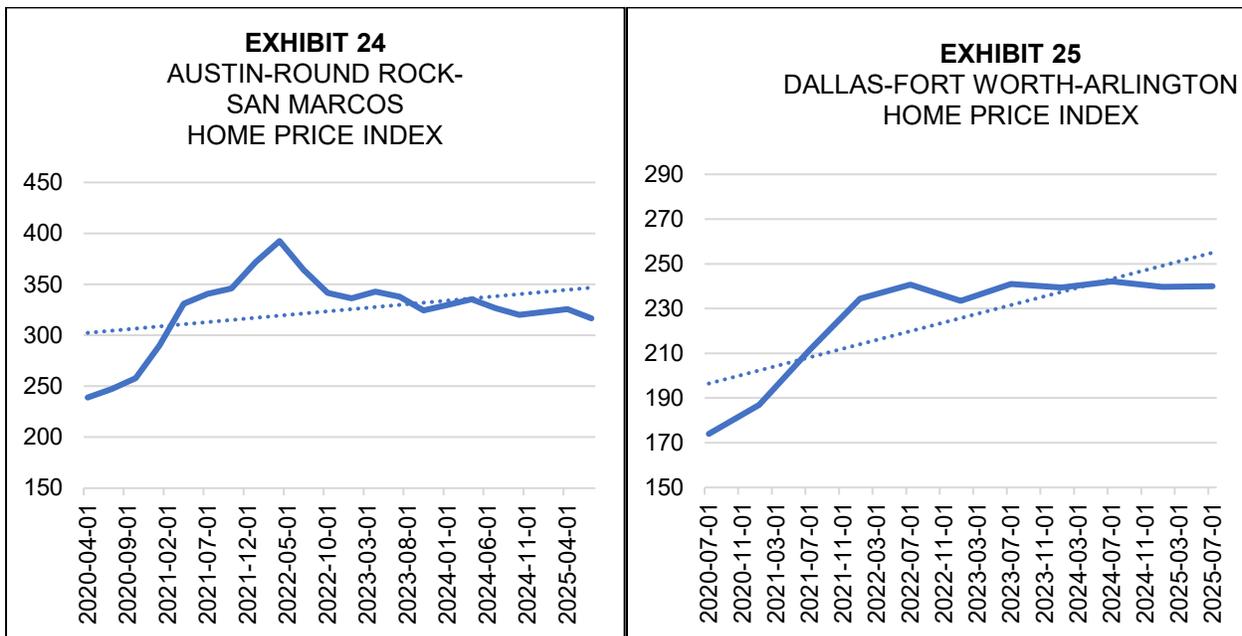
### Direct Factors

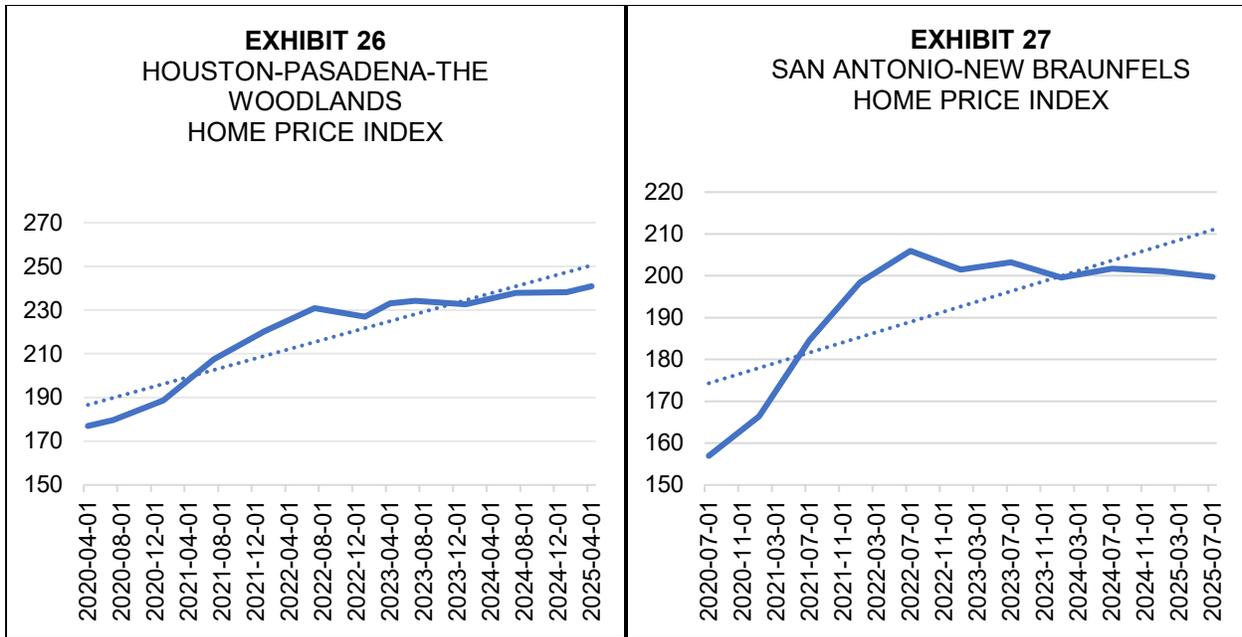
For home purchase loans and refinances, the direct factors include home prices, required down payments, interest rates, property taxes and insurance costs.

### 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.

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. Exhibits 24, 25, 26, and 27 shown below reflect the Home Price Index for major metropolitan areas in Texas.





Source: Texas Real Estate Research Center

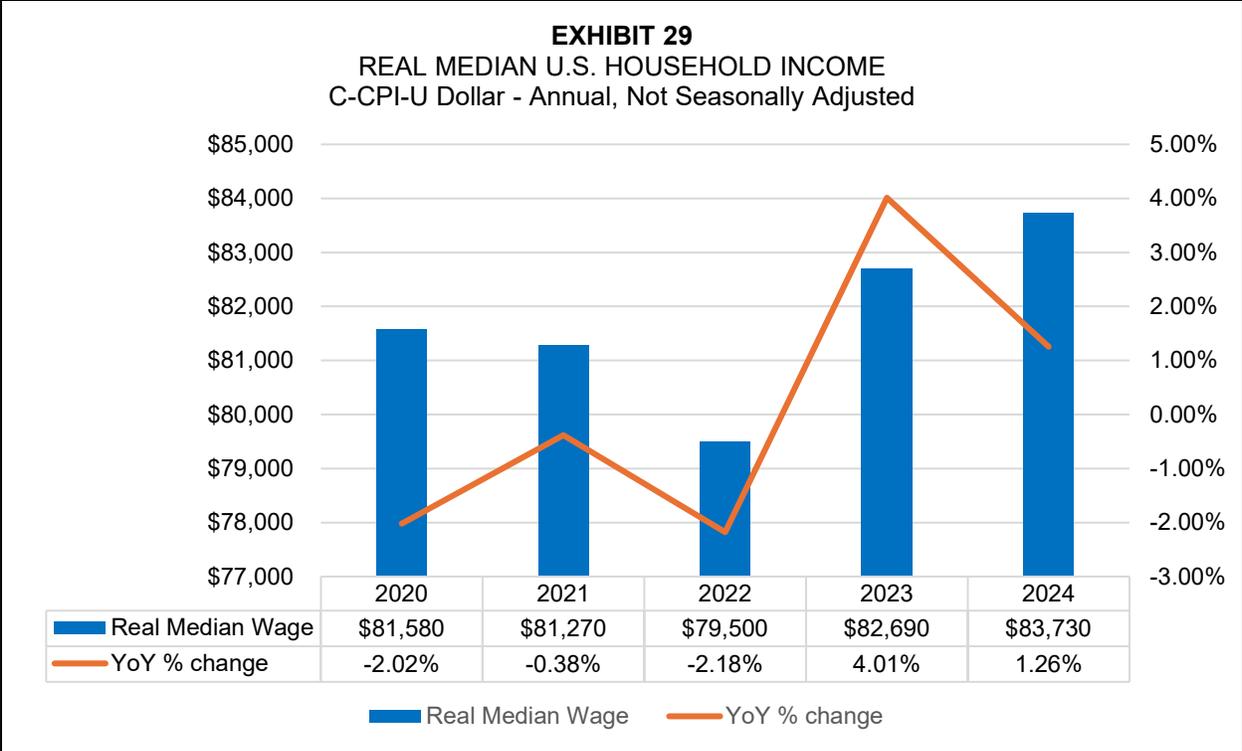
The Exhibits reflect a moderate upward trend in home prices in Texas' four most significant metropolitan areas; however, the median price of homes in Texas saw only a moderate adjustment in 2024, as shown in Exhibit 28 below.

**EXHIBIT 28**  
MEDIAN HOME PRICE

	2020	2021	2022	2023	2024
<b>Texas</b>	\$ 259,230	\$ 300,000	\$ 340,000	\$ 335,100	\$335,971
<b>Austin-Round Rock-San Marcos MSA</b>	\$ 344,000	\$ 450,000	\$ 502,000	\$ 450,000	\$454,916
<b>Dallas-Fort Worth-Arlington MSA</b>	\$ 291,000	\$ 345,000	\$ 400,000	\$ 395,000	\$404,813
<b>El Paso MSA</b>	\$ 177,950	\$ 200,000	\$ 237,000	\$ 254,950	\$270,380
<b>Houston-The Woodlands-Sugar Land MSA</b>	\$ 260,000	\$ 300,000	\$ 335,000	\$ 330,000	\$334,930
<b>San Antonio-New Braunfels MSA</b>	\$ 249,000	\$ 284,995	\$ 320,000	\$ 312,000	\$314,621

Source: [Texas Real Estate Research Center – Housing Reports and Texas Housing Insight](#)

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 29 shows the real median U.S. Household Income over the past five years.



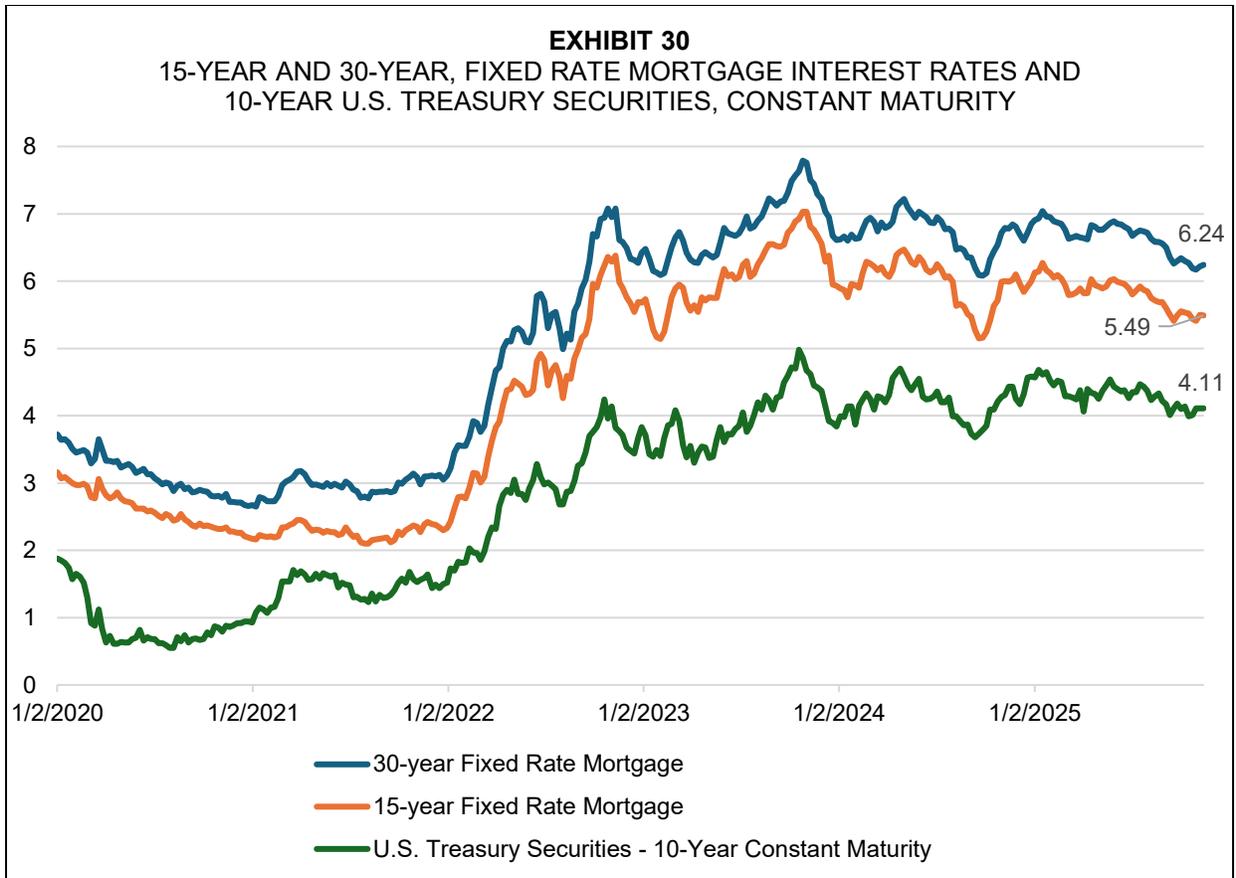
Source: U.S. Census Bureau and Federal Reserve Bank of Saint Louis MEHOINUSA672N

Except for 2023 and 2024, the real median household income did not keep pace with the home price increases in Texas. Any 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 rate or interest rate.

Exhibit 30 reflects the 15-year and 30-year, fixed-rate mortgage interest rates in comparison to the 10-year U.S. Treasury Securities, Constant Maturity Rate. As shown in Exhibit 30 below, the 15-year and 30-year mortgage industry rates have declined from 2024 to 2025.



Source: FreddieMac Primary Mortgage Market Survey and Federal Reserve Bank of St. Louis (DGS10)

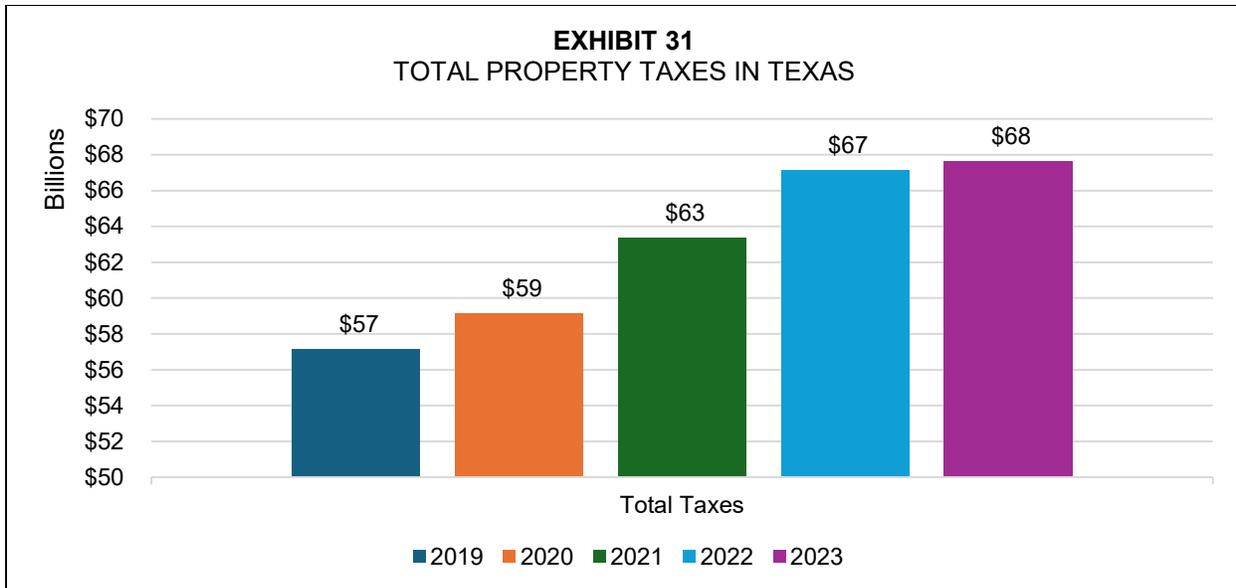
For example, using the median price of a home (\$335,971– 2024 value) with a 20% downpayment financed over a 30-year term, the principal and interest portion of the payment increased by \$425.13 comparing the average rate of 3.64% (as of January 9, 2020) to the current rate of 6.24% (as of November 6, 2025). This change reflects a 34.62% increase in the monthly payment.

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

### Property Taxes

The third component of a mortgage payment is property taxes.

Exhibit 31 reflects the total property tax burden imposed on Texans as reported by the Texas Comptroller of Public Accounts.



Source: [Texas Comptroller of Public Accounts](#)

Counties in Texas collect an average of 1.81% of a property's assessed fair market value as property tax per year. Texas has one of the highest average property tax rates in the country, with only thirteen states levying higher property taxes. Texas's median income is \$62,353 per year, so the median yearly property tax paid by Texas residents amounts to approximately 3.65% of their yearly income. Texas ranks 12th among the 50 states for property taxes as a percentage of median income.<sup>139</sup>

High tax rates on property and increasing property values generally raise the cost of home ownership through increasing taxes.

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).

#### Homestead Exemption by Year

Year	Exemption
< 1997	\$5,000
1997	\$15,000
2015	\$25,000
2022	\$40,000
2023	\$100,000
2025	\$140,000

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 five times in the last 28 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

<sup>139</sup> [Texas Property Taxes 2025](#), Tax-Rates.org.

- \$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.

In 2025, with the passage and approval of [Senate Bill 4](#) and [Senate Bill 23](#), the Texas Legislature made the following adjustments to property taxes for residential homesteads:

- increased the residence homestead exemption for school districts from \$100,000 to \$140,000; 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 \$40,000 to \$60,000.<sup>140</sup>

For 2025-2026 tax years, the changes will help reduce the tax burden on homeowners with a homestead exemption.

### Insurance Premiums

The final component of a mortgage payment is insurance premiums: (1) mortgage insurance premiums; (2) homeowner’s insurance; (3) flood insurance; and (4) title 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%.<sup>141</sup> Exhibit 32 includes the information regarding the FHA Annual MIP reduction.

<b>EXHIBIT 32</b>				
<b>FHA ANNUAL MORTGAGE INSURANCE PREMIUM REDUCTION</b>				
Applies to all Mortgages except:				
<ul style="list-style-type: none"> <li>• Streamline Refinance and Simple Refinance Mortgages used to refinance a previous FHA-endorsed Mortgage on or before May 31, 2009</li> <li>• Hawaiian Home Lands (Section 247)</li> </ul>				
<b>Mortgage Term of More Than 15 Years</b>				
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 (2023)	≤ 90.00%	11 years	100	70
	> 90.00% but ≤ 95.00%	Mortgage Term	100	70
	> 95.00%	Mortgage Term	105	75
<b>Mortgage Term of Less Than or Equal to 15 Years</b>				
Base Loan Amount	Loan-to-Value	Duration	2022 MIP (bps)	2023 MIP (bps)

<sup>140</sup> Joshua Fechter, “[Voters OK property tax breaks for Texas homeowners, businesses](#),” *Texas Tribune*, November 4, 2025.

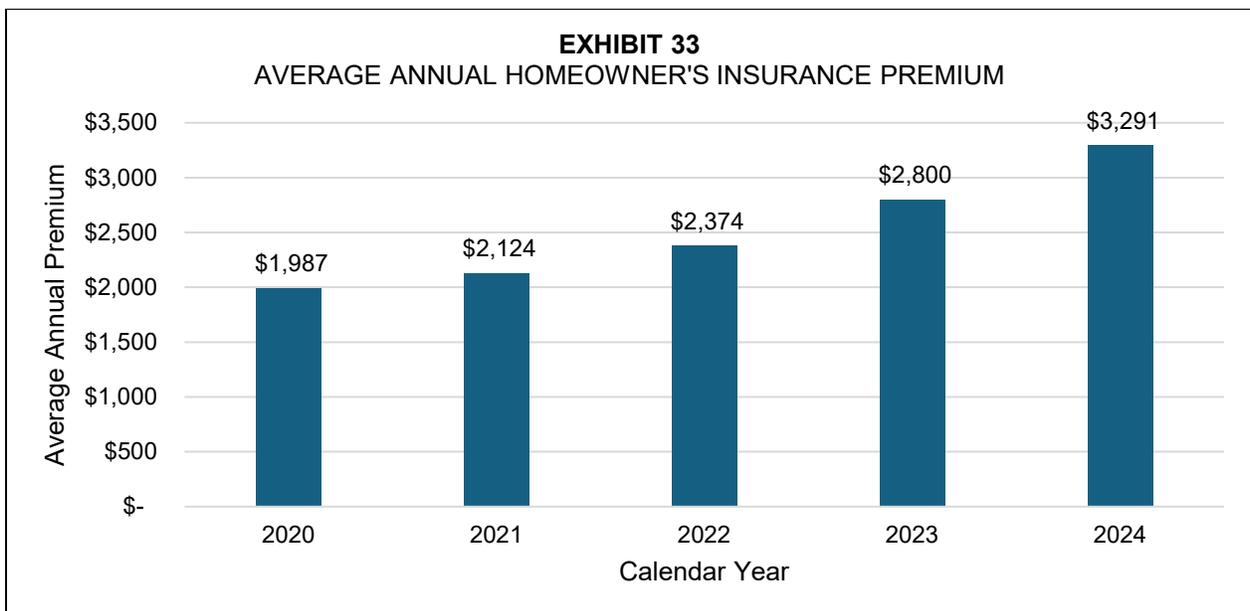
<sup>141</sup> [Mortgagee Letter 2023-05](#), U.S. Dept. of Housing and Urban Development, February 22, 2023.

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 nearly \$600 million collectively in just the first year of their mortgages.<sup>142</sup> 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.

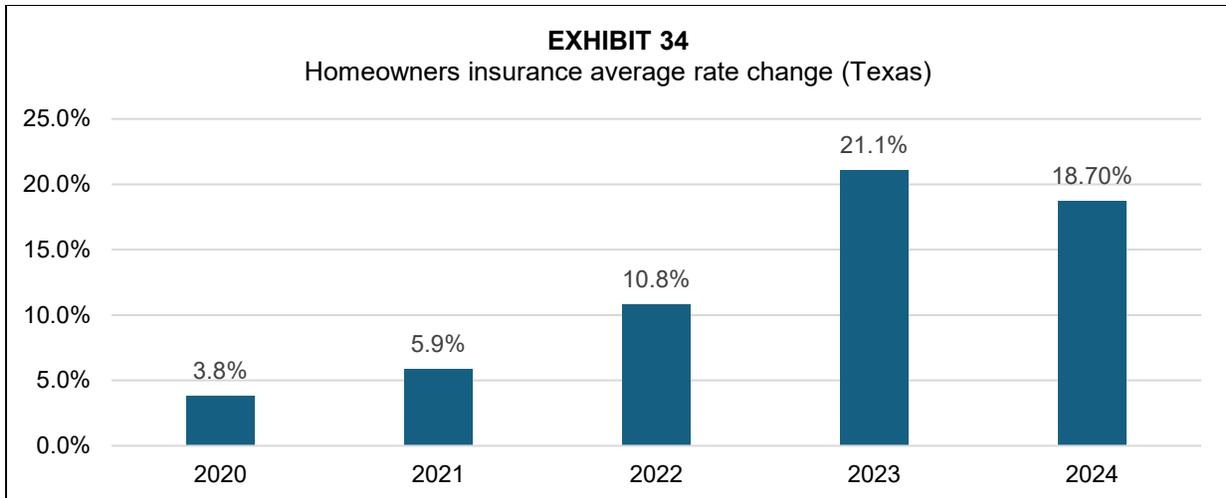
### Homeowners' Insurance Premiums

Homeowners' insurance is one of the fastest-growing costs affecting homeownership in Texas. Over the past five years, homeowners' insurance premiums have increased every year, as reflected in Exhibits 33 and 34.



Source: Texas Department of Insurance rate filing data

<sup>142</sup> [“One Year In: U.S. Department of Housing and Urban Development Annual Mortgage Insurance Premium Cut Saves Borrowers \\$600 Million,”](#) HUD No. 24-058, U.S. Depart. of Housing and Urban Development, March 20, 2024.



Source: Texas Department of Insurance rate filing data

Homeowners' insurance rates in Texas have been increasing due to several factors,<sup>143</sup> including

- the number and severity of storms and weather events;
- the costs of labor, materials, and other goods and services;
- reinsurance costs;
- litigation activity; and
- home values and building replacement values.

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 47 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.<sup>144</sup>

As of April 1, 2023, FEMA has fully implemented the National Flood Insurance Program's (NFIP) pricing approach, Risk Rating 2.0.

More than 5.2 million Texans, or one in six people in the state, live or work in an area susceptible to flooding, according to the Texas Water Development Board.<sup>145</sup> One-fourth of the state's land — roughly 67,000 square miles — either falls within the 100-year floodplain or the 500-year floodplain, according to the plan. And each of the state's 254 counties has experienced at least

<sup>143</sup> ["Why Are Insurance Rates Increasing in Texas?"](#) Office of Public Insurance Counsel, October 24, 2024.

<sup>144</sup> [42 U.S.C. § 4012a\(b\)\(1\)](#).

<sup>145</sup> [2024 State Flood Plan](#), Texas Water Development Board, adopted August 15, 2024.

one federally-declared flood disaster since 1953, according to the Texas Water Development Board.<sup>146</sup>

As of March 2025, the average cost of flood insurance in Texas is \$879 per year, according to FEMA. This is slightly lower than the national average cost of flood insurance, which is \$898 per year. However, the flood insurance premium will depend on the flood risk in the borrower’s area. Higher-risk areas have a higher risk of flood damage, and residents in those areas tend to pay for more coverage.<sup>147</sup>

For borrowers who live in a floodplain, the cost of flood insurance increases the cost of homeownership in Texas.

Title Insurance

Title insurance is insurance that may be issued only by persons regulated under Title 11, Insurance Code, and that insures:

- (A) a lender or owner against loss caused by:
  - (i) defective title held by the mortgagor or owner or insured;
  - (ii) unknown mortgages or defective recording of mortgages or liens on real property;
  - (iii) failure of any person to pay ad valorem taxes resulting in a lien; or
  - (iv) failure to research properly title, taxes, liens, or other matters relative to the validity of loans or liens secured by real property or insurance;
- (B) the validity, enforceability, or priority of any lien or title on real property.

Under Chapter 2703 of the Texas Insurance Code, the Texas Department of Insurance (TDI) is responsible for fixing and promulgating premium rates to be charged by a title insurance company or a title insurance agent.

Effective July 1, 2025, the TDI reduced the basic title insurance premium rates. The new basic title insurance premium rates are shown in Exhibit 35 below.

<b>EXHIBIT 35</b>							
<b>TEXAS TITLE INSURANCE BASIC PREMIUM RATES</b>							
Rates Effective July 1, 2025							
<b>Policy Face Amount up to and Including (\$)</b>	<b>Basic Premium (\$)</b>	<b>Policy Face Amount up to and Including (\$)</b>	<b>Basic Premium (\$)</b>	<b>Policy Face Amount up to and Including (\$)</b>	<b>Basic Premium (\$)</b>	<b>Policy Face Amount up to and Including (\$)</b>	<b>Basic Premium (\$)</b>
25,000	295	44,000	410	63,000	525	82,000	640
25,500	298	44,500	413	63,500	528	82,500	644
26,000	302	45,000	417	64,000	532	83,000	648
26,500	304	45,500	419	64,500	535	83,500	650
27,000	306	46,000	422	65,000	537	84,000	653
27,500	309	46,500	426	65,500	540	84,500	656

<sup>146</sup> Alejandra Martinez, [“Texas’ first-ever statewide flood plan estimates 5 million live in flood-prone areas,”](#) *Texas Tribune*, May 28, 2024.

<sup>147</sup> Natalie Todoroff, [“Texas flood insurance: what homeowners should know,”](#) Bankrate.com, last updated November 1, 2025.

**EXHIBIT 35**  
**TEXAS TITLE INSURANCE BASIC PREMIUM RATES**  
 Rates Effective July 1, 2025

<b>Policy Face Amount up to and Including (\$)</b>	<b>Basic Premium (\$)</b>	<b>Policy Face Amount up to and Including (\$)</b>	<b>Basic Premium (\$)</b>	<b>Policy Face Amount up to and Including (\$)</b>	<b>Basic Premium (\$)</b>	<b>Policy Face Amount up to and Including (\$)</b>	<b>Basic Premium (\$)</b>
28,000	312	47,000	428	66,000	544	85,000	659
28,500	315	47,500	430	66,500	548	85,500	662
29,000	320	48,000	436	67,000	551	86,000	664
29,500	322	48,500	438	67,500	552	86,500	669
30,000	325	49,000	441	68,000	555	87,000	672
30,500	328	49,500	444	68,500	559	87,500	674
31,000	331	50,000	446	69,000	562	88,000	677
31,500	334	50,500	449	69,500	564	88,500	680
32,000	337	51,000	451	70,000	568	89,000	684
32,500	340	51,500	455	70,500	572	89,500	686
33,000	343	52,000	459	71,000	575	90,000	689
33,500	347	52,500	463	71,500	577	90,500	692
34,000	349	53,000	464	72,000	580	91,000	696
34,500	353	53,500	468	72,500	583	91,500	699
35,000	356	54,000	471	73,000	586	92,000	701
35,500	358	54,500	473	73,500	589	92,500	705
36,000	361	55,000	476	74,000	592	93,000	707
36,500	365	55,500	479	74,500	596	93,500	711
37,000	367	56,000	483	75,000	599	94,000	712
37,500	371	56,500	486	75,500	601	94,500	716
38,000	374	57,000	489	76,000	604	95,000	721
38,500	377	57,500	492	76,500	607	95,500	724
39,000	379	58,000	496	77,000	610	96,000	725
39,500	383	58,500	498	77,500	613	96,500	728
40,000	385	59,000	500	78,000	617	97,000	732
40,500	390	59,500	504	78,500	620	97,500	735
41,000	392	60,000	508	79,000	624	98,000	738
41,500	395	60,500	511	79,500	625	98,500	742
42,000	398	61,000	514	80,000	628	99,000	744
42,500	401	61,500	516	80,500	632	99,500	747
43,000	403	62,000	519	81,000	635	100,000	749
43,500	407	62,500	523	81,500	637		

For basic title insurance policies in excess of \$100,000, an insurer calculates the basic premiums using the following methodology, and using the data shown in the table below:

- Step 1: In Column 1, find the range that includes the policy's face value
- Step 2: Subtract the value in Column 2 from the policy's face value
- Step 3: Multiply the result in Step 2 by the value in Column 3, and round to the nearest dollar
- Step 4: Add the value in Column 4 to the result from Step 3

Column (1)	Column (2)	Column (3)	Column (4)
Policy Range	Subtract	Multiply by	Add
\$100,001 - \$1,000,000	\$ 100,000	0.00474	\$ 749
\$1,000,001 - \$5,000,000	\$ 1,000,000	0.00390	\$ 5,018
\$5,000,001 - \$15,000,000	\$ 5,000,000	0.00321	\$ 20,606
\$15,000,001 - \$25,000,000	\$ 15,000,000	0.00229	\$ 52,736
\$25,000,001 - \$50,000,000	\$ 25,000,000	0.00137	\$ 75,596
\$50,000,001 - \$100,000,000	\$ 50,000,000	0.00124	\$109,796
Greater than \$100,000,000	\$100,000,000	0.00112	\$171,896

By order of the Texas Commissioner of Insurance,<sup>148</sup> TDI expects the 10% reduction in title insurance premiums rates to save Texas consumers an estimated \$238 million per year. This title insurance premium reduction will reduce the cost of homeownership in Texas.

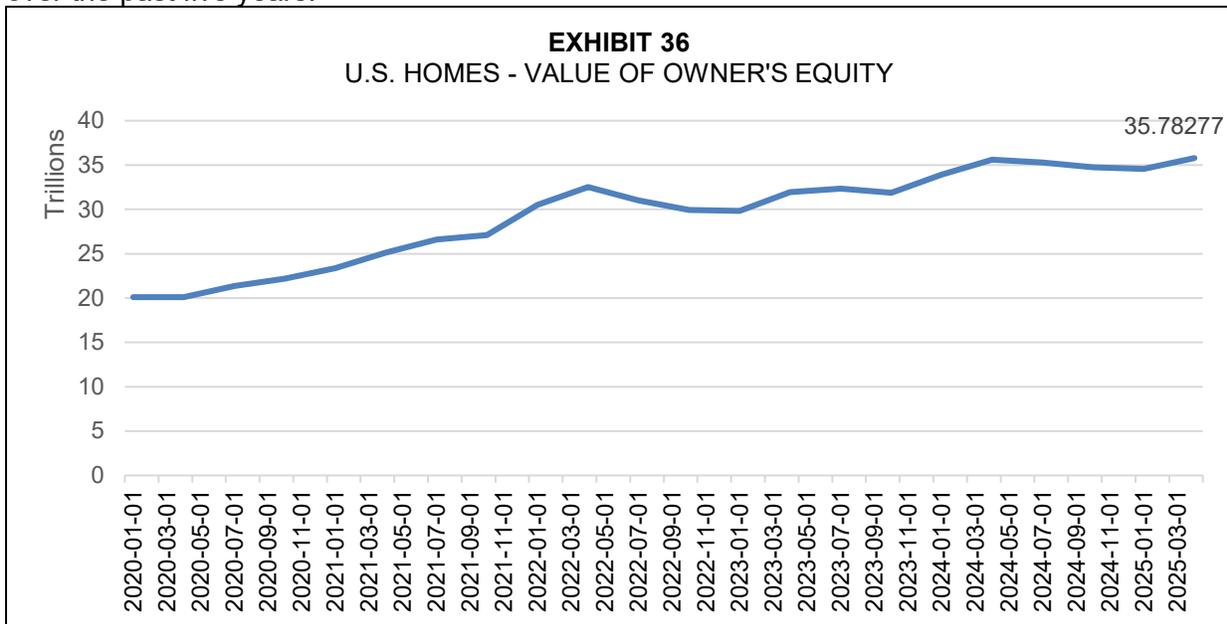
### Indirect Factors

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 36 reflects the value of owner's equity (amount of equity) in homes in the United States over the past five years.



Source: Federal Reserve Bank of Saint Louis OEHRENWBSHNO

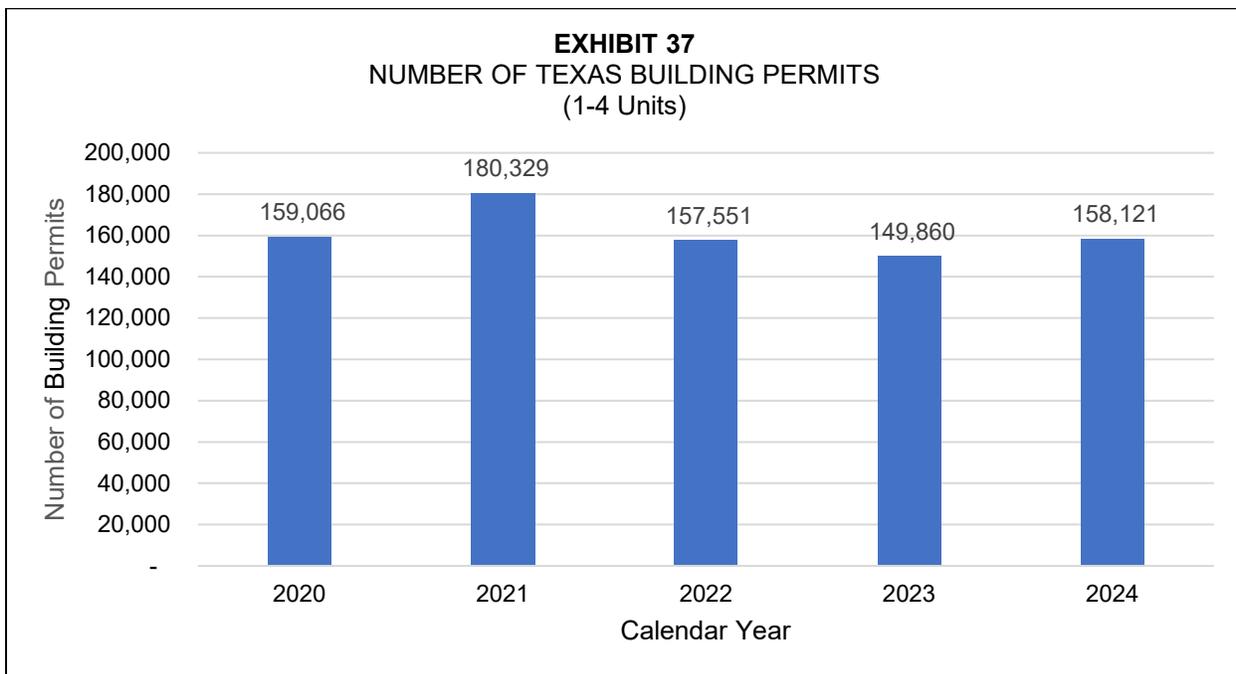
<sup>148</sup> [Order No. 2025-9125](#), Texas Commissioner of Insurance, February 6, 2025.

From 2020 to 2025, the value of owner’s equity increased from less than \$20 trillion to \$35.782 trillion. Again, this increase in the value of owner’s equity permits greater principal balances for home equity loans and reverse mortgages.

### Housing Supply

The number of homes available for purchase (i.e., 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).

Exhibit 37 below reflects the number of building permits issued in Texas for the past five calendar years.



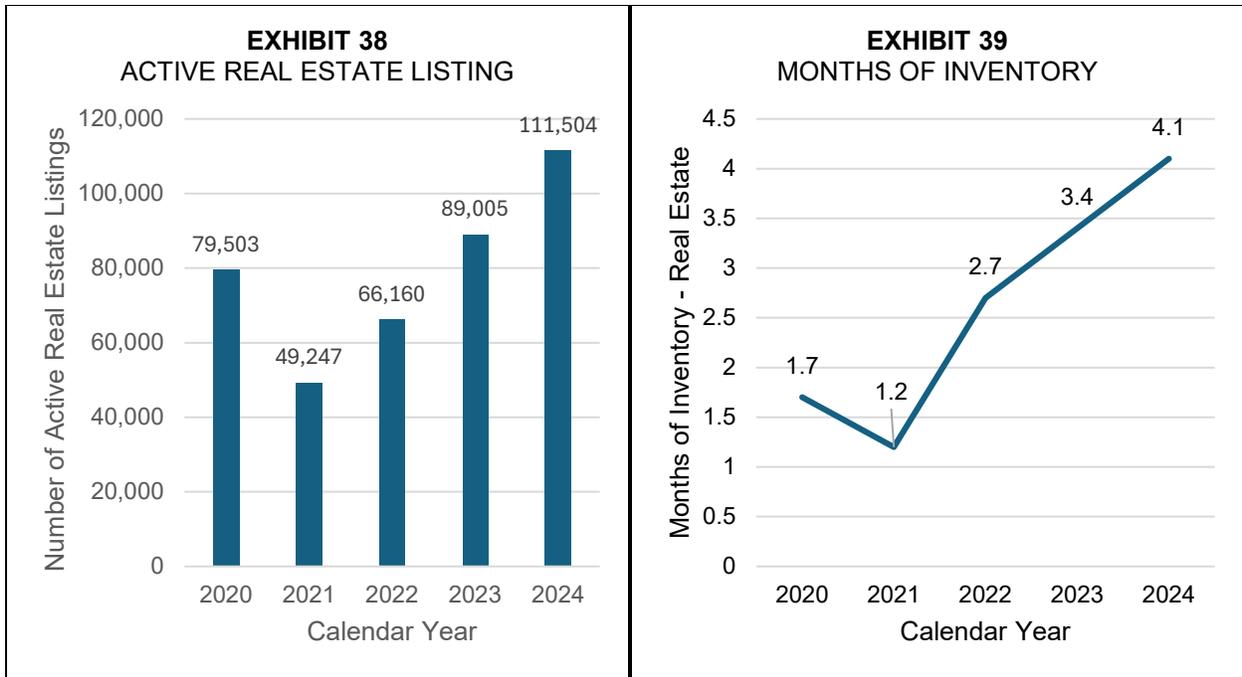
Source: Texas A&M Real Estate Center

For the past five years, the number of building permits issued in Texas has remained in the range of 149,860 to 180,329. According to Up for Growth, a nonprofit organization that focuses on housing policy, in 2022, Texas was 320,000 homes short of what was needed to meet demand.<sup>149</sup>

Exhibits 38 and 39 reflect the number of active real estate listings and months of inventory for homes in Texas for the past five years.

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<sup>149</sup> David Garcia, Anjali Kolachalam, Leah MacArthur, Michael Wilkerson, Ph.D., [Housing Underproduction in the U.S. 2024](#), Up for Growth, 2025.



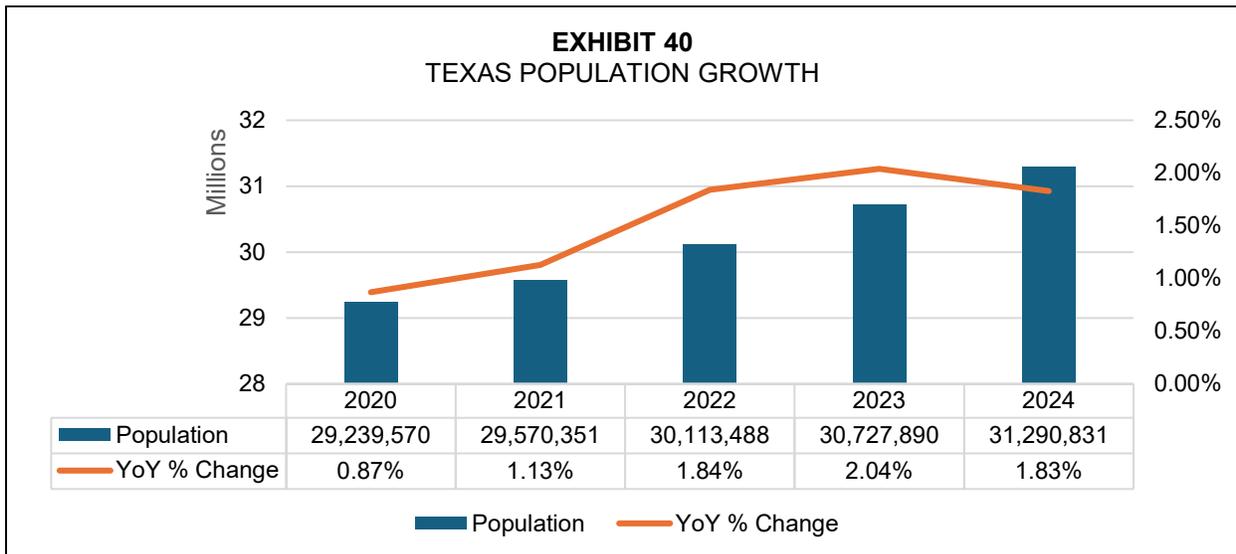
Source: Texas Real Estate Year In Review Publication

Source: Texas Real Estate Year In Review Publication

Exhibits 38 and 39 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 40, Texas's population has been growing at a rate greater than 1% per year for the past four years.



Source: US Census Bureau and Texas Real Estate Research Center

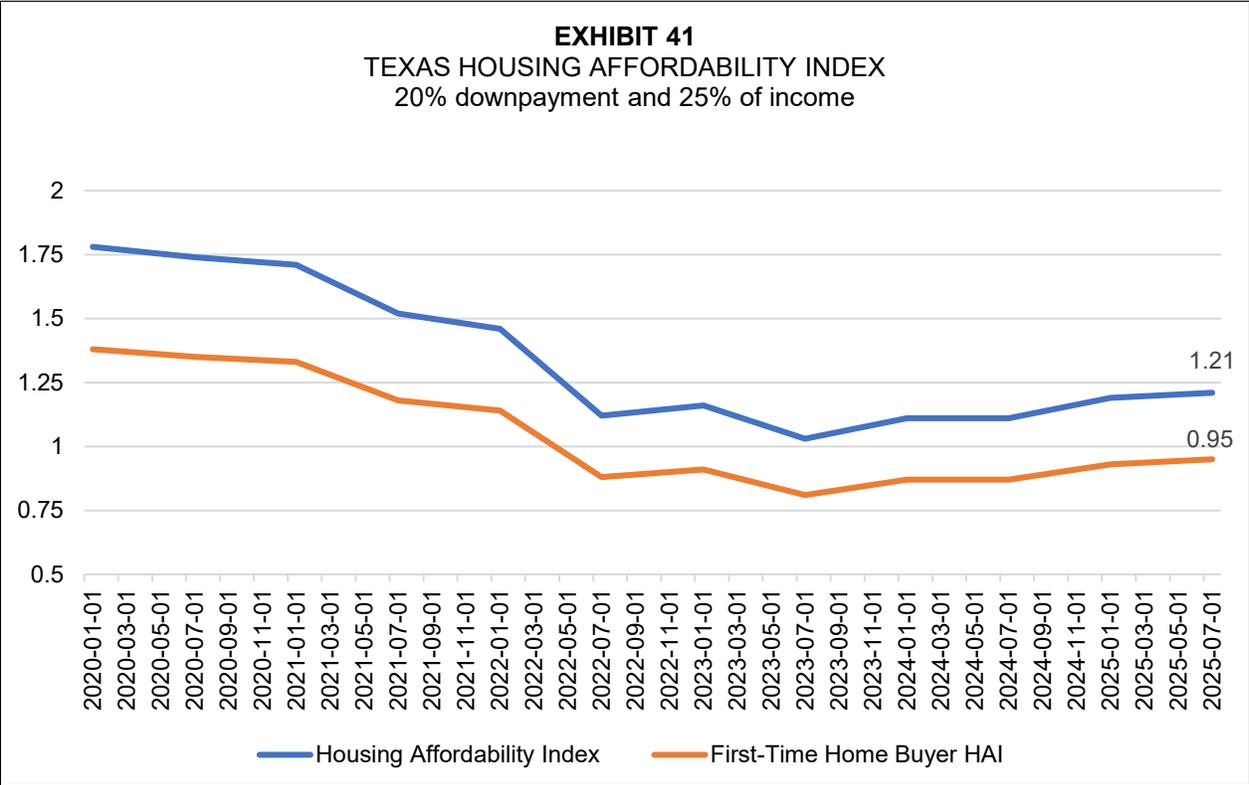
Unless the construction of new homes increases, the continued population growth will impact the number of homes available for purchase, driving up the cost of homeownership.

Texas Housing Affordability Index

Housing affordability levels have generally fallen in all Texas metropolitan areas since 2020, 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 2020, the statewide THAI value was 1.78, meaning that the MFI was 78 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 1.21 in 2025, meaning that the MFI is now just 21 percent above the necessary income to purchase a median-price home in the state, which signals a decrease in a household’s ability to afford a home.

Exhibit 41 reflects the Texas Housing Affordability Index over the past five years.



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 on August 27, 2024.

Homeownership affordability improved as interest rates and the corresponding monthly payments declined.

To address housing affordability, Texas offers several programs that help homeowners obtain a home, especially first-time homebuyers.

First, the [Texas State Affordability Housing Corporation](#) (TSAHC) provides 30-year fixed interest rate mortgage loans, down payment assistance grants, and mortgage credit certificates through a network of approved mortgage lenders. The two programs are:

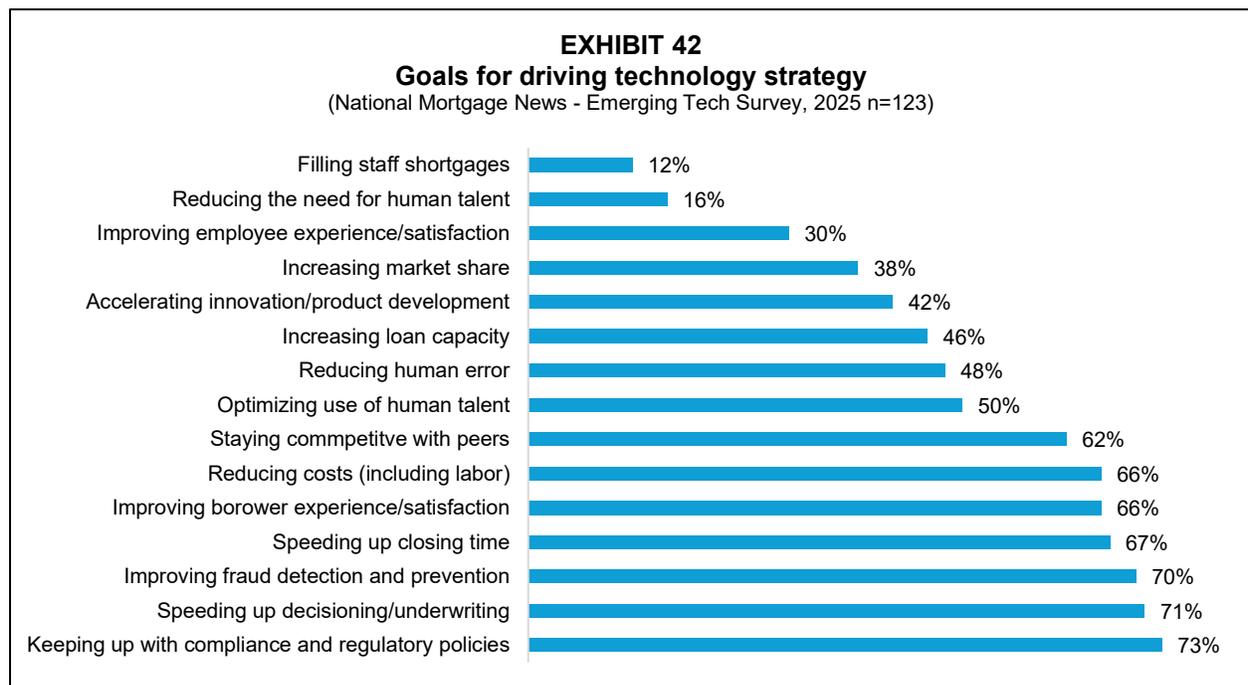
- [Homes for Texas Heroes Home Loan Program](#): for teachers, firefighters and EMS personnel, police and correctional officers, and veterans.
- [Home Sweet Texas Home Loan Program](#): for Texas home buyers with low and moderate incomes.

Second, the [Texas Department of Housing and Community Affairs](#) (TDHCA) offers a down payment assistance program.

## Technology and Artificial Intelligence in the Mortgage Industry

The residential mortgage industry was once characterized by paper-heavy processes and operational inefficiencies. The industry has widely leveraged electronic processes to reduce inefficiencies. The advent of modern artificial intelligence (AI) technology and systems is further reshaping operational efficiency, regulatory compliance, and consumer engagement across the mortgage lifecycle.

Exhibit 42 reflects the goals for driving technology strategy as found in a recent Emerging Tech Survey conducted by National Mortgage News.



A major regulatory milestone was the passage of the [Texas Responsible Artificial Intelligence Governance Act](#) (TRAIGA),<sup>150</sup> signed into law on June 22, 2025. Effective January 1, 2026, TRAIGA establishes a comprehensive framework for the ethical development and deployment of AI systems. It imposes duties on AI developers and deployers, prohibits harmful or discriminatory design practices, and introduces a first-in-the-nation AI regulatory sandbox. The Act also grants enforcement authority to the Texas Attorney General and relevant licensing agencies (including SML), while preempting local AI ordinances.

TRAIGA mandates that developers may not intentionally design AI systems to: (1) encourage self-harm, violence, or criminal activity; (2) discriminate against protected classes (race, sex, religion, etc.); (3) infringe constitutional rights; (4) manipulate behavior in harmful ways; or (5) generate or distribute illegal or sexually explicit content involving minors. If it is discovered that an AI system violates Texas law, developers are given a 60-day remediation period before enforcement actions may proceed. Importantly, the Act provides a safe harbor for those adhering to recognized frameworks such as the NIST AI Risk Management Framework.

Within the mortgage sector, AI adoption is accelerating, particularly among high-volume lenders. According to industry surveys conducted by National Mortgage News, institutions originating over 5,000 loans annually report an 81% AI adoption rate. The primary drivers of new technology include improving compliance, accelerating underwriting, enhancing fraud detection, and reducing operational costs.

AI technologies in use span a wide range of applications:

- [Predictive Decision Support](#) uses data and algorithms to forecast outcomes and guide choices. Common in credit scoring, fraud detection, risk management, and business planning. (FICO, Cotality, Freddie Mac, Fannie Mae)
- [Computer Vision \(CV\)](#) teaches machines to “see” and act on visual data by using document recognition and data extraction. (Paradatec, FoxyAI, loanlogics, Oculous)
- [Expert Systems](#) are rule-based programs that apply human expertise to solve problems for underwriting and regulatory guidance. (NiCE, CallMiner, Verint, Liveperson, Cognigy)
- [Natural Language Processing \(NLP\)](#) enables computers to understand and generate human language. Drives chatbots, translation, sentiment analysis, text automation, and document summarization. (ICE Mortgage Technology, Sagent, bitb, Luxoft, Clarifire)

Generative AI (GenAI) is also gaining traction, with use cases such as virtual assistants for loan officers, automated document summarization, chatbot-driven customer service, and real-time knowledge base querying. These tools are enhancing both borrower and employee experiences, while also introducing new compliance considerations.

As AI becomes more embedded in mortgage operations, institutions are increasingly formalizing their governance structures. A robust AI policy—aligned with ethical principles, legal obligations, and business goals—is now considered essential. Key pillars of enterprise AI include:

- Policy development
- Governance frameworks
- Responsible AI practices
- Operational integration

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<sup>150</sup> [HB 149](#), 89<sup>th</sup> Legislature, Regular Session.

However, the use of AI also introduces significant legal and compliance risks which include the possibility of violations for the following federal laws:

<b>AI COMPLIANCE RISKS</b>	
<b>Federal Statute and Regulation</b>	<b>Possible Violation</b>
Truth-in-Lending Act (TILA) and Regulation Z	<ol style="list-style-type: none"> <li><b>Inaccurate Disclosures</b> – AI-powered assistants of document generators may miscalculate or misstate key loan terms, leading to incorrect TILA disclosures. This risks consumers receiving misleading information and puts lenders in violation of Reg Z’s disclosure requirements.</li> <li><b>Advertising Trigger Terms</b> – GenAI creating marketing content might include specific loan terms that trigger additional disclosure requirements under Regulation Z, but fail to provide those additional details. This is a common source of compliance issues.</li> <li><b>Personalized Offers</b> – In the future, lenders may use GenAI to draft personalized loan offers and disclosure forms on the fly. Any AI errors or unauthorized changes to mandated wording and formats could result in TILA violations.</li> </ol>
Real Estate Settlement Procedures Act (RESPA) and Regulation X	<ol style="list-style-type: none"> <li><b>Hallucinated Requirements</b> – A GenAI assistant could invent or misstate a RESPA requirement or procedure, confusing consumers and violating the law. An AI chatbot might erroneously tell a borrower to pay a “processing fee” or follow a step that is not actually required.</li> <li><b>Inadvertent Undisclosed Referrals</b> – If lenders use AI bots to answer questions about settlement services, the bot might steer borrowers towards a particular title insurer, realtor, or affiliate. Such AI-driven referrals (especially to an affiliated business) without proper disclosure could raise Section 8 concerns about kickbacks or unearned fees.</li> <li><b>Automated Closings and Disclosures</b> – GenAI has the potential to speed up mortgage closing by summarizing or preparing documents. Using GenAI to fully automate the preparation of settlement statements and borrower communications could result in systemic RESPA violations.</li> </ol>
Equal Credit Opportunity Act (ECOA) and Regulation B	<ol style="list-style-type: none"> <li><b>AI Bias in Decisions</b> – Generative AI or underwriting models may unintentionally discriminate against protected groups due to biased data or design, creating disparate impact and potential ECOA violations.</li> <li><b>Adverse Action Transparency</b> – ECOA/Reg B requires lenders to give clear reasons for credit denials. AI “black box” models often make this difficult, and regulators expect specific, accurate denial reasons, not vague or generic letters.</li> <li><b>Digital Redlining</b> – AI-driven marketing and pricing could inadvertently segregate or exclude borrowers based on factors like zip code or online behavior, effectively modern-day redlining. Regulators will closely watch to prevent steering or filtering that violates equal treatment.</li> </ol>
Fair Housing Act (FHA)	<ol style="list-style-type: none"> <li><b>Biased Content Generation</b> – AI-generated property listings or ads can unintentionally include biased phrases (e.g.,</li> </ol>

AI COMPLIANCE RISKS	
Federal Statute and Regulation	Possible Violation
	<p>“Christian community,” “perfect for young families”), which signal preferences or limitations based on religion, family status, or other protected classes. This creates risk of Fair Housing violations if unvetted.</p> <ol style="list-style-type: none"> <li><b>Discriminatory Ad Targeting</b> – AI-driven ad platforms may exclude or target protected groups by limiting who sees housing or mortgage ads. For example, automated delivery might stop showing offers to single parents or minority neighborhoods, effectively creating digital steering in violation of FHA.</li> <li><b>AI-Enabled Redlining Comeback</b> – Advanced AI tools could reintroduce discriminatory practices by recommending neighborhoods based on race/ethnicity or by disadvantaging certain groups in lending or property valuation. Regulators fear these systems could replicate historic redlining under new technological forms.</li> </ol>
Fair Credit Reporting Act (FCRA)	<ol style="list-style-type: none"> <li><b>Accuracy &amp; Dispute Handling</b> – AI-generated credit reports may introduce mistaken identity merges, fill-in errors, or invalid debts, making disputes harder for consumers and violating FCRA’s accuracy requirements. Strict oversight is needed to fix AI-induced errors quickly.</li> <li><b>Adverse Action Notice Content</b> – When credit is denied, FCRA requires clear disclosures (credit bureau, score, key factors, right to a free report). AI-generated notices risk omitting or misstating required elements, especially if decision logic is opaque, leaving consumers unclear on “who/what/why.”</li> <li><b>Third-Party AI Scoring as Consumer Reports</b> – AI models using nontraditional data (social media, rental history, online behavior) could produce creditworthiness scores treated as consumer reports under FCRA. This would trigger obligations for consent, dispute rights, and accuracy protections—even if not from a credit bureau.</li> </ol>
Federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act), and Regulation H	<ol style="list-style-type: none"> <li><b>Unlicensed AI Interactions</b> – The SAFE Act requires only licensed Mortgage Loan Originators (MLOs) to take applications and offer or negotiate the terms of a residential mortgage loan. If AI chatbots handle applicants' questions, recommend products, or collect application information, it may function as an unlicensed MLO, creating compliance violations.</li> <li><b>Disclosure of Identity</b> – Borrowers must be clearly informed when they are interacting with AI. If AI-generated messages lack proper disclosures, they may mislead applicants into believing they are communicating with a licensed MLO, increasing the risk of regulatory violations, consumer confusion, and misrepresentation risks.</li> </ol>
Fair Debt Collection Practices Act (FDCPA)	<ol style="list-style-type: none"> <li><b>Unrestricted Contact &amp; Harassment</b> – AI-powered debt collection systems could over-contact consumers (e.g., nonstop calls, texts, or emails) or initiate communication during restricted hours, violating FDCPA’s strict limits on</li> </ol>

AI COMPLIANCE RISKS	
Federal Statute and Regulation	Possible Violation
	<p>timing and frequency. Poorly controlled AI risks crossing into harassment or intimidation.</p> <p>2. <b>Mistaken Identity &amp; Consumer Harm</b> – Generative AI may confuse identities or wrongly match consumers, leading to pursuit of the wrong debtor or invalid debts. If AI fails to handle disputes properly, consumers may find it impossible to argue with an automated system, compounding FDCPA violations.</p> <p>3. <b>Deceptive Practices &amp; False Representation</b> – AI could create deceptive scripts or impersonations (e.g., sounding like a lawyer or official) that mislead consumers. Even subtle misrepresentation, or failing to clearly disclose AI's identity, could be treated as a violation. Regulators will closely monitor these high-risk “virtual collection agents.”</p>
Telephone Consumer Protection Act (TCPA)	<ul style="list-style-type: none"> <li>• <b>Unrestricted Contact &amp; Harassment</b> – AI-powered lead-generating systems could over-contact consumers (e.g., no written consent) or initiate communication to individuals on the do-not-solicit lists, easily violating TCPA.</li> </ul>
Gramm-Leach-Bliley Act (GLBA) and Regulation P	<ul style="list-style-type: none"> <li>• <b>Improper Sharing of Information</b> – AI-powered systems could improperly share information of applicants/borrowers who have opted out of the disclosure of non-public personal information.</li> </ul>

Mitigation strategies include human-in-the-loop oversight, prompt engineering, retrieval-augmented generation, and the use of deterministic functions alongside GenAI. Institutions are also advised to monitor third-party AI providers and ensure clear consumer disclosures.

While AI is already transforming operations in the mortgage industry, blockchain remains in a more exploratory phase. The [Texas Work Group on Blockchain Matters](#) (Work Group), established by [HB 1576](#), identified promising applications for blockchain technology in real property records and UCC filings. Blockchain’s potential to create immutable chains of title, streamline verification, and reduce fraud is particularly relevant to the mortgage and real estate sectors.

Despite these initiatives, legislative progress has been limited. A 2025 bill ([HB 1043](#)) to pilot a blockchain-based title registry system did not pass. As of the date of this report, no counties in Texas are utilizing blockchain-based title systems. Nonetheless, the groundwork laid by the Work Group suggests that future adoption may be feasible, particularly in tech-forward counties.