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# Texas Refinance Transactions Quick Guide

Refinance transactions in the state of Texas are defined as follows:

| Type of TX Loan | High Level Requirements | Type of Fannie/Freddie |
|---|---|---|
| Texas Rate and Term | • Refinance of first mortgage that is not a 50(a)(6)*<br>• 2nd is either a PMS or Qualified Home Improvement Loan<br>• No cash to the borrower<br>• Not considered a 50(a)(6)* | Rate and Term Refinance/Limited Cash-Out (Borrower cannot use the Fannie Mae or Freddie Mac tolerance) |
| 50(a)(6) Equity Loan | • Refinance of a first lien while subordinating the closed ended second lien, or<br>• Paying off a first or second lien that is neither a PMS nor a Qualified Home Improvement Loan, or<br>• Receiving cash-out. | Cash-Out Refinance |
| Equity Loan to Non-Equity Loan (Follows Section 50[f][2]) | • Refinance of first and/or second that is a line of credit/HELOC<br>• The 50(a)(6)* must have 12 months' seasoning. A closed end second must be past the anniversary date of the loan, and a HELOC must not have any withdraws in the most recent 12 months<br>• No new funds are advanced<br>• Max 80% LTV | The inclusion of the second lien that is not a Purchase Money Second (PMS), makes this a Cash-Out Refinance, by Agency definitions |
| Equity Loan to Non-Equity Loan (Follows Section 50[f][2]) | • Refinance of first and/or second that is a 50(a)(6)<br>• The 50(a)(6)* must have 12 months' seasoning<br>• No new funds advanced<br>• Max 80% LTV<br>• Refinance of first that meets the TX requirements if it was a 50(a)(6) and zero cash back to the borrower, or borrower brings funds to closing | Rate and term refinance/Limited Cash-Out (Borrower cannot use the Fannie Mae or Freddie Mac Tolerance) |

***Note: A Texas Section 50(a)(6) loan must be secured by a single-unit principal residence constituting the borrower's homestead under Texas law. Loans secured by two-to-four-unit properties, investment properties, or second homes are not eligible.**