



## COMMERCE NATIONAL BANK

*Committed to your success.*

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Thank you for your interest in our home equity lending program. Enclosed you will find the following:

- Uniform Residential Loan Application
- Notice Concerning Extensions of Credit
- Acceptance of Fee Agreement
- Acceptance of Appraiser

Please complete the application, review the disclosures, and sign and date all documents where indicated. In addition to the documents listed above, please return:

- A signed copy of your most recent tax return
- If available, a copy of your most recent tax statement on your property

You may either mail the documents to the bank or bring them into the bank. If you prefer to make an appointment, please call me at 979-595-1630. Thank you in advance for considering Commerce National Bank for your home equity loan.

Sincerely,

Heather Price  
Assistant Vice President  
NMLS ID 1054726

# Notice Concerning Extensions of Credit

GRANTOR:

LENDER:

Commerce National Bank  
A Branch of Lubbock National Bank

## NOTICE CONCERNING EXTENSIONS OF CREDIT DEFINED BY SECTION 50(A)(6), ARTICLE XVI, TEXAS CONSTITUTION:

Section 50(a)(6), Article XVI, of the Texas Constitution allows certain loans to be secured against the equity in your home. Such loans are commonly known as equity loans. If you do not repay the loan or if you fail to meet the terms of the loan, the lender may foreclose and sell your home. The constitution provides that:

- (A) The loan must be voluntarily created with the consent of each owner of your home and each owner's spouse;
- (B) The principal loan amount at the time the loan is made must not exceed an amount that, when added to the principal balances of all other liens against your home, is more than 80 percent of the fair market value of your home;
- (C) The loan must be without recourse for personal liability against you and your spouse unless you or your spouse obtained this extension of credit by actual fraud;
- (D) The lien securing the loan may be foreclosed upon only with a court order;
- (E) Fees and charges to make the loan may not exceed 3 percent of the loan amount;
- (F) The loan may not be an open-end account that may be debited from time to time or under which credit may be extended from time to time unless it is a home equity line of credit;
- (G) You may prepay the loan without penalty or charge;
- (H) No additional collateral may be security for the loan;
- (I) The loan may not be secured by agricultural homestead property, unless the agricultural homestead property is used primarily for the production of milk;
- (J) You are not required to repay the loan earlier than agreed solely because the fair market value of your home decreases or because you default on another loan that is not secured by your home;
- (K) Only one loan described by Section 50(a)(6), Article XVI, of the Texas Constitution may be secured with your home at any given time;
- (L) The loan must be scheduled to be repaid in payments that equal or exceed the amount of accrued interest for each payment period;
- (M) The loan may not close before 12 days after you submit a written application to the lender or before 12 days after you receive this notice, whichever date is later; and if your home was security for the same type of loan within the past year, a new loan secured by the same property may not close before one year has passed from the closing date of the other loan;
- (N) The loan may close only at the office of the lender, title company or an attorney at law;
- (O) The lender may charge any fixed or variable rate of interest authorized by statute;
- (P) Only a lawfully authorized lender may make loans described by Section 50(a)(6), Article XVI, of the Texas Constitution;
- (Q) Loans described by Section 50(a)(6), Article XVI, of the Texas Constitution must:
  - (1) Not require you to apply the proceeds to another debt except a debt that is secured by your home or owed to another lender;
  - (2) Not require that you assign wages as security;
  - (3) Not require that you execute instruments which have blanks left to be filled in;
  - (4) Not require that you sign a confession of judgment or power of attorney to another person to confess judgment or appear in a legal proceeding on your behalf;
  - (5) Provide that you receive a copy of all documents you sign at closing;
  - (6) Provide that the security instruments contain a disclosure that this loan is a loan defined by Section 50(a)(6), Article XVI, of the Texas Constitution;
  - (7) Provide that when the loan is paid in full, the lender will sign and give you a release of lien or an assignment of the lien, whichever is appropriate;
  - (8) Provide that you may, within 3 days after closing, rescind the loan without penalty or charge;
  - (9) Provide that you and the lender acknowledge the fair market value of your home on the date the loan closes; and
  - (10) Provide that the lender will forfeit all principal and interest if the lender fails to comply with the lender's obligations unless the lender cures the failure to comply as provided by Section 50(a)(6)(Q)(x), Article XVI, of the Texas Constitution; and





# ACCEPTANCE OF FEE AGREEMENT

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BORROWERS:

LOAN NUMBER:

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The total of these fees cannot exceed 2% of the home equity loan amount.

- Title Confirmation
- Recording Fee
- Attorney Fees
- Flood certification - LPS National Flood Company
- Loan Origination Fee

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Borrower

Date

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Borrower

Date



## ACCEPTANCE OF APPRAISER

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BORROWERS:

LOAN NUMBER:

HOMESTEAD PROPERTY:

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The undersigned hereby agree to secure services of \_\_\_\_\_  
an appraiser to establish fair market value (FMV) (appraisal company's name)  
of property described above.

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Owner/Borrower

Date

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Owner/Borrower

Date

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Lender

Date

By: \_\_\_\_\_  
Commerce National Bank



# Home Equity Loans in Texas: Frequently Asked Questions

## WHAT IS A HOME EQUITY LOAN?

A home equity loan is a financial product that allows a borrower to use the market value of a home as collateral for a loan. Loans secured by real estate generally are considered safer by lenders, resulting in lower interest rates than for other types of loans.

Effective September 2003, Texans may also choose to establish home equity-based lines of credit.

Equity is calculated by subtracting the amount owed on the home from the current market value. For example, if a house with a market value of \$100,000 has an outstanding mortgage of \$30,000, the homeowner has equity of \$70,000. If there were no mortgage or other type of lien on the house, the equity amount would be \$100,000.

## HOW MUCH CAN I BORROW?

Through home equity loans, Texans can borrow money using up to 80% of the value of their homes as collateral. Consider the example of a home valued at \$100,000 with an outstanding mortgage debt of \$30,000 and \$70,000 worth of equity. Because homeowners are limited to borrowing no more than 80% of the home's value, the homeowner would simply calculate 80% of \$100,000 (\$80,000) and then subtract \$30,000 to arrive at a maximum loan amount of \$50,000.

The total mortgage debt, including any existing mortgages plus the projected home equity loan, cannot exceed 80% of the home's current fair market value. Homeowners with 20% or less equity in their homes are not eligible for home equity loans.

## WHY CAN'T I BORROW AGAINST MORE THAN 80% OF THE HOME'S VALUE?

Texans voted to limit the loan amount to 80% to help prevent over extension of credit and protect our economy during times of economic slowdown.

## HOW ARE HOME EQUITY LOAN INTEREST RATES DETERMINED?

Market competition and conditions determine the rates in general; the borrower's own credit history will further affect the rate offered. Home equity loans usually have lower interest rates than do other types of consumer loans, such as loans secured by personal property or loans secured simply by a borrower's signature (unsecured loans). First mortgages (the primary loan on a house) generally have the lowest interest rates. As with any financial arrangement, you should shop around to find the best deal. See the Consumer Services section of the OCCB Web site for some handy online calculators that help you compare loans.

## WHAT OTHER COSTS ARE INVOLVED?

Lenders can charge certain fees, usually called closing costs, in addition to interest. On a home equity loan, closing costs cannot exceed 3% of the principal amount borrowed. Prepaid interest, also known as points, is not subject to the 3% cap.

## WHAT IF I FEEL A LENDER HAS OVERCHARGED ME ON CLOSING COSTS?

As a savvy consumer, you should always carefully examine a loan agreement before signing it. Have the lender thoroughly explain the contract's fee structure; you'll discover that any points you've purchased are not considered part of the fee amount subject to the three percent limitation.

If a lender has overcharged you, you must give the lender a chance to correct the mistake (called curing the loan) before you can take legal action against them. You need to send a written request to the lender specifying the error so that the lender can issue a corrected loan agreement and refund any amounts due.

## ARE THERE DIFFERENT KINDS OF HOME EQUITY LOANS?

No, but a home equity loan can hold either first lien or junior lien (often called second) position. If you own your home outright and take out a home equity loan, it will be considered a first mortgage because it is first in line to receive payment if the home is sold or a borrower defaults. If you refinance an existing first mortgage, and pledge some of your equity to receive cash in hand, you will still have just one—but larger—first mortgage. In this loan, generally called a cash out refinance, the dollar difference between the original mortgage and the refinanced mortgage is the home equity loan amount.

A secondary mortgage is a loan secured by a house that already has at least one other mortgage or lien. Taking out a home equity loan in addition to a first mortgage places a second lien against the home.

## COULD A LENDER FORECLOSE ON MY HOME IF I'M LATE PAYING ON A CAR LOAN OR A CREDIT CARD?

No. Securing an open line of credit, such as a credit card account, with a homestead is prohibited in Texas. On a standard car loan, the car itself is the collateral, and Texas law prohibits using a person's homestead as additional collateral on the same loan. However, if a homeowner decides to take out a home equity loan to pay off credit card debts or buy a car, the home is then collateral for the home equity loan and can be foreclosed on if the homeowner does not make payments on time.



## WHAT IF I CHANGE MY MIND?

The law requires a 12-day waiting period from the time an application is taken AND a legally mandated written consumer rights notice is given to the borrower. For example, if a potential borrower submits an application on Monday, but doesn't receive a copy of the consumer rights notice until Wednesday, then the 12-day countdown would actually begin on Wednesday. Once the waiting period has passed, the loan can be closed. Further, the homeowner or homeowner's spouse may still cancel the loan agreement without penalty within three days after closing.

## HOW MANY HOME EQUITY LOANS CAN I HAVE?

A borrower may have only one equity loan at a time. Furthermore, it cannot be refinanced more frequently than once a year. Because of this limitation, it is crucial to shop for the best terms among lenders. It is also important, as in any credit transaction, to compare the total costs of a home equity loan to other types of credit available to the consumer. For example, a borrower might not face a prepayment penalty for early payoff of a home equity loan. However, if the loan is paid off early, a home equity loan could end up being more expensive than an unsecured loan with a higher interest rate because you also paid closing costs and points.

## WHY DO I HAVE TO WAIT A YEAR TO REFINANCE A HOME EQUITY LOAN?

Texas voters placed this provision in the Texas Constitution as a consumer protection. Because closing costs are collected each time a mortgage loan is closed, generally it's not a good idea to refinance often.

## WHAT ELSE SHOULD I KNOW?

It's always a sound practice to shop around for a loan, but don't fill out any applications until you've picked the company you definitely want to work with. Filling out too many applications may unduly harm your credit report.

Before you sign on the dotted line, find out what kind of experience other consumers have had with your potential lenders. The Office of Consumer Credit Commissioner regulates certain home equity lenders and offers a Consumer Helpline for credit-related questions at 800.538.1579. They can let you know about consumer complaints we have on file.

To get more information about home equity issues or to request lender complaint files, visit Consumer Services on the OCCC Website at [www.occc.texas.gov](http://www.occc.texas.gov).

## OTHER HELPFUL RESOURCES

Texas Office of the Attorney General  
Consumer Protection Hotline: 800.621.0508  
[www.texasattorneygeneral.gov](http://www.texasattorneygeneral.gov)

Federal Trade Commission  
Consumer Response Center: [www.ftc.gov](http://www.ftc.gov)

U.S. Dept. of Housing & Urban Development  
Main number: 202.708.1112  
[www.hud.gov](http://www.hud.gov)

OCCC Consumer Helpline  
[www.occc.texas.gov](http://www.occc.texas.gov)  
800.538.1579



# Safe and Sound at Home: Tips for Protecting Your Equity

## WHAT IS A HOME EQUITY LOAN?

Basically, your home's equity is determined by taking the value of your home and subtracting any other mortgages or liens secured by the home. A home equity loan is a financial product that allows a borrower to use the home as collateral for a loan. There are two basic types of home equity loans: first mortgages and secondary mortgages. A first mortgage is a loan secured by a home that has no other mortgage against it. It is generally the loan you take out to purchase or refinance the home. A secondary mortgage is simply a loan secured by a home that has at least one other mortgage or lien. Home improvement loans are often secondary mortgages.

## BORROWER BEWARE

Although taking out a loan using your home as collateral can be beneficial to your financial situation, beware of loans that you cannot repay. Some lenders offer products that carry high interest rates and heavy fees. A large balloon payment that comes due at the end of a loan's term can create problems for borrowers. If you fall behind or fail to make your payments, the lender can take your home through foreclosure. Once the foreclosure process begins, most people never get their homes back. Home improvement contracts may also have high costs. Be cautious of home improvement deals offered by contractors or lenders who do not come highly recommended.

## PROTECT YOUR EQUITY AND YOURSELF

### DO:

- Shop around—compare loan packages to find the one that meets your specific needs.
- Get the big picture: look at interest rates and fees, not just monthly payment amounts.
- Review all the information with a credit counselor before signing.
- Read the entire contract before you sign.
- Avoid loans with balloon payments that come due at the end of the loan term.
- Seek out governmental agencies and nonprofit organizations that have special loan programs.
- If getting a loan for home improvement, find and work with your own contractor and lender to ensure they are reputable.
- Know what is in the contract before you sign.
- Consider trading your current home for a less expensive one.

### DON'T:

- Don't take out a loan made solely on the equity value and not on your ability to make the monthly payments.
- Don't sign anything that has blank spaces.
- Don't borrow more than you need. Equity can be your greatest asset in your next home purchase.
- Don't take out a loan from an unknown door-to-door salesperson.
- Don't consolidate your bills by using your home as collateral; try to use other means to consolidate.
- Don't judge by the monthly payments alone—consider the total cost.
- Don't yield to high-pressure sales tactics.
- Don't sign forms written in a language that you don't understand.
- Don't sign a contract if it is not what you expected. Always be prepared to walk away!
- Don't rush to sign. If the offer is good today, it should be good tomorrow.





## THINK BEFORE YOU BORROW

Consider these factors when looking at putting your equity up for collateral.

### 1. Can I afford this loan?

Just because you qualify for a loan does not necessarily mean you can really afford one. If you cannot afford to make the monthly payments, you are at greater risk of losing your home.

### 2. What will I do if I lose my home?

Most people don't have another place to go if they lose their homes. If you have to buy a smaller house or rent an apartment, you'll need a down payment or a deposit.

Tip: Carefully investigate all the possibilities before you decide to obtain a second mortgage or home equity loan.

Tip: Take advantage of the free information available from non-profit organizations and governmental agencies (see the resource list in this brochure). It is easier to learn to protect yourself now than rebuild your equity and credit rating later.

## KNOW YOUR RIGHTS

Even if you have signed a contract, you do have a limited amount of time to change your mind. You must act fast, however, if you want to undo a loan agreement. Texas law gives you three business days from the date you sign a home equity or high cost home loan contract to cancel the loan if your home is the collateral. You can cancel for any reason at all, but must do so in writing within the three days.

OCCC Consumer Helpline 800.538.1579

High Cost Home Loan Helpline 866.303.INFO(4636)

## OTHER HELPFUL RESOURCES

Texas Office of the Attorney General Consumer Protection Hotline:  
800.252.8011

[www.texasattorneygeneral.gov](http://www.texasattorneygeneral.gov)

Federal Trade Commission Consumer Response Center:

877.382.4357

[www.ftc.gov](http://www.ftc.gov)

U.S. Dept. of Housing & Urban Development Main number:

202.708.1112

[www.hud.gov](http://www.hud.gov)

Texas Dept. of Housing & Community Affairs Program hotline:

800.792.1119

[www.tdhca.state.tx.us](http://www.tdhca.state.tx.us)

Texas State Affordable Housing Corp. Main number:

888.638.3555

[www.tsahc.com](http://www.tsahc.com)

National Foundation for Credit Counselors

Counselor Locations (English): 800.388.2227

Counselor Locations (Spanish): 800.682.9832

[www.nfcc.org](http://www.nfcc.org)

