

Topic: Updated Requirements for Texas Rate/Term Refinance Transactions

Overview

Effective with RESPA application dates on and after **6/16/14**, the requirements for all Texas rate/term refinance transactions (including government, conventional, and non-conforming) will change.

Unacceptable Practices

To comply with Texas law, InterFirst will not allow the following practices:

- **Incidental cash back to borrowers**
Prohibited by Texas Constitution 8, Ch. 153, Rule §153.41
- **Including fees paid outside of closing in the loan amount**
TX law does not allow a fee that is paid outside of closing to be financed into the loan amount. When cash back is considered a refund for fees paid outside of closing (POC), the lender has essentially financed POC fees into the new loan amount. In addition, InterFirst requires that fees included in the loan amount be reasonable, incurred, and a necessary closing cost (i.e., required to close the loan).
- **Principal curtailments/reductions**
Applying a principal curtailment/reduction (normally the amount of the POC fees) results in a reduction to the principal amount of the loan as listed on the Closing Disclosure; however, the principal amount of the loan as listed on the loan documents (the amount the borrower is obligated to pay) has not been reduced.
- **Increasing payoff amounts to reduce cash back**
Reducing cash back to the borrower by increasing payoff amounts on the Closing Disclosure results in prohibited cash back to the borrower in the form of a payoff refund.