

By: Toth, Cortez, Wilson, Schaefer

H.J.R. No. 20

A JOINT RESOLUTION

1 proposing a constitutional amendment authorizing the legislature  
2 to provide for exceptions to the requirement that a home equity loan  
3 be closed only at the office of the lender, an attorney at law, or a  
4 title company.

5 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Sections 50(a) and (g), Article XVI, Texas  
7 Constitution, are amended to read as follows:

8 (a) The homestead of a family, or of a single adult person,  
9 shall be, and is hereby protected from forced sale, for the payment  
10 of all debts except for:

11 (1) the purchase money thereof, or a part of such  
12 purchase money;

13 (2) the taxes due thereon;

14 (3) an owelty of partition imposed against the  
15 entirety of the property by a court order or by a written agreement  
16 of the parties to the partition, including a debt of one spouse in  
17 favor of the other spouse resulting from a division or an award of a  
18 family homestead in a divorce proceeding;

19 (4) the refinance of a lien against a homestead,  
20 including a federal tax lien resulting from the tax debt of both  
21 spouses, if the homestead is a family homestead, or from the tax  
22 debt of the owner;

23 (5) work and material used in constructing new  
24 improvements thereon, if contracted for in writing, or work and

1 material used to repair or renovate existing improvements thereon  
2 if:

3 (A) the work and material are contracted for in  
4 writing, with the consent of both spouses, in the case of a family  
5 homestead, given in the same manner as is required in making a sale  
6 and conveyance of the homestead;

7 (B) the contract for the work and material is not  
8 executed by the owner or the owner's spouse before the fifth day  
9 after the owner makes written application for any extension of  
10 credit for the work and material, unless the work and material are  
11 necessary to complete immediate repairs to conditions on the  
12 homestead property that materially affect the health or safety of  
13 the owner or person residing in the homestead and the owner of the  
14 homestead acknowledges such in writing;

15 (C) the contract for the work and material  
16 expressly provides that the owner may rescind the contract without  
17 penalty or charge within three days after the execution of the  
18 contract by all parties, unless the work and material are necessary  
19 to complete immediate repairs to conditions on the homestead  
20 property that materially affect the health or safety of the owner or  
21 person residing in the homestead and the owner of the homestead  
22 acknowledges such in writing; and

23 (D) the contract for the work and material is  
24 executed by the owner and the owner's spouse only at the office of a  
25 third-party lender making an extension of credit for the work and  
26 material, an attorney at law, or a title company;

27 (6) an extension of credit that:

1 (A) is secured by a voluntary lien on the  
2 homestead created under a written agreement with the consent of  
3 each owner and each owner's spouse;

4 (B) is of a principal amount that when added to  
5 the aggregate total of the outstanding principal balances of all  
6 other indebtedness secured by valid encumbrances of record against  
7 the homestead does not exceed 80 percent of the fair market value of  
8 the homestead on the date the extension of credit is made;

9 (C) is without recourse for personal liability  
10 against each owner and the spouse of each owner, unless the owner or  
11 spouse obtained the extension of credit by actual fraud;

12 (D) is secured by a lien that may be foreclosed  
13 upon only by a court order;

14 (E) does not require the owner or the owner's  
15 spouse to pay, in addition to any interest or any bona fide discount  
16 points used to buy down the interest rate, any fees to any person  
17 that are necessary to originate, evaluate, maintain, record,  
18 insure, or service the extension of credit that exceed, in the  
19 aggregate, two percent of the original principal amount of the  
20 extension of credit, excluding fees for:

21 (i) an appraisal performed by a third party  
22 appraiser;

23 (ii) a property survey performed by a state  
24 registered or licensed surveyor;

25 (iii) a state base premium for a mortgagee  
26 policy of title insurance with endorsements established in  
27 accordance with state law; or

1                   (iv) a title examination report if its cost  
2 is less than the state base premium for a mortgagee policy of title  
3 insurance without endorsements established in accordance with  
4 state law;

5                   (F) is not a form of open-end account that may be  
6 debited from time to time or under which credit may be extended from  
7 time to time unless the open-end account is a home equity line of  
8 credit;

9                   (G) is payable in advance without penalty or  
10 other charge;

11                   (H) is not secured by any additional real or  
12 personal property other than the homestead;

13                   (I) (repealed);

14                   (J) may not be accelerated because of a decrease  
15 in the market value of the homestead or because of the owner's  
16 default under other indebtedness not secured by a prior valid  
17 encumbrance against the homestead;

18                   (K) is the only debt secured by the homestead at  
19 the time the extension of credit is made unless the other debt was  
20 made for a purpose described by Subsections (a)(1)-(a)(5) or  
21 Subsection (a)(8) of this section;

22                   (L) is scheduled to be repaid:

23                   (i) in substantially equal successive  
24 periodic installments, not more often than every 14 days and not  
25 less often than monthly, beginning no later than two months from the  
26 date the extension of credit is made, each of which equals or  
27 exceeds the amount of accrued interest as of the date of the

1 scheduled installment; or

2 (ii) if the extension of credit is a home  
3 equity line of credit, in periodic payments described under  
4 Subsection (t)(8) of this section;

5 (M) is closed not before:

6 (i) the 12th day after the later of the date  
7 that the owner of the homestead submits a loan application to the  
8 lender for the extension of credit or the date that the lender  
9 provides the owner a copy of the notice prescribed by Subsection (g)  
10 of this section;

11 (ii) one business day after the date that  
12 the owner of the homestead receives a copy of the loan application  
13 if not previously provided and a final itemized disclosure of the  
14 actual fees, points, interest, costs, and charges that will be  
15 charged at closing. If a bona fide emergency or another good cause  
16 exists and the lender obtains the written consent of the owner, the  
17 lender may provide the documentation to the owner or the lender may  
18 modify previously provided documentation on the date of closing;  
19 and

20 (iii) the first anniversary of the closing  
21 date of any other extension of credit described by Subsection  
22 (a)(6) of this section secured by the same homestead property,  
23 except a refinance described by Paragraph (Q)(x)(f) of this  
24 subdivision, unless the owner on oath requests an earlier closing  
25 due to a state of emergency that:

26 (a) has been declared by the president  
27 of the United States or the governor as provided by law; and

1 (b) applies to the area where the  
2 homestead is located;

3 (N) is closed only at the office of the lender, an  
4 attorney at law, or a title company, except as otherwise provided by  
5 statute;

6 (O) permits a lender to contract for and receive  
7 any fixed or variable rate of interest authorized under statute;

8 (P) is made by one of the following that has not  
9 been found by a federal regulatory agency to have engaged in the  
10 practice of refusing to make loans because the applicants for the  
11 loans reside or the property proposed to secure the loans is located  
12 in a certain area:

13 (i) a bank, savings and loan association,  
14 savings bank, or credit union doing business under the laws of this  
15 state or the United States, including a subsidiary of a bank,  
16 savings and loan association, savings bank, or credit union  
17 described by this subparagraph;

18 (ii) a federally chartered lending  
19 instrumentality or a person approved as a mortgagee by the United  
20 States government to make federally insured loans;

21 (iii) a person licensed to make regulated  
22 loans, as provided by statute of this state;

23 (iv) a person who sold the homestead  
24 property to the current owner and who provided all or part of the  
25 financing for the purchase;

26 (v) a person who is related to the homestead  
27 property owner within the second degree of affinity or

1 consanguinity; or

2 (vi) a person regulated by this state as a  
3 mortgage banker or mortgage company; and

4 (Q) is made on the condition that:

5 (i) the owner of the homestead is not  
6 required to apply the proceeds of the extension of credit to repay  
7 another debt except debt secured by the homestead or debt to another  
8 lender;

9 (ii) the owner of the homestead not assign  
10 wages as security for the extension of credit;

11 (iii) the owner of the homestead not sign  
12 any instrument in which blanks relating to substantive terms of  
13 agreement are left to be filled in;

14 (iv) the owner of the homestead not sign a  
15 confession of judgment or power of attorney to the lender or to a  
16 third person to confess judgment or to appear for the owner in a  
17 judicial proceeding;

18 (v) at the time the extension of credit is  
19 made, the owner of the homestead shall receive a copy of the final  
20 loan application and all executed documents signed by the owner at  
21 closing related to the extension of credit;

22 (vi) the security instruments securing the  
23 extension of credit contain a disclosure that the extension of  
24 credit is the type of credit defined by Subsection (a)(6) of this  
25 section;

26 (vii) within a reasonable time after  
27 termination and full payment of the extension of credit, the lender

1 cancel and return the promissory note to the owner of the homestead  
2 and give the owner, in recordable form, a release of the lien  
3 securing the extension of credit or a copy of an endorsement and  
4 assignment of the lien to a lender that is refinancing the extension  
5 of credit;

6 (viii) the owner of the homestead and any  
7 spouse of the owner may, within three days after the extension of  
8 credit is made, rescind the extension of credit without penalty or  
9 charge;

10 (ix) the owner of the homestead and the  
11 lender sign a written acknowledgment as to the fair market value of  
12 the homestead property on the date the extension of credit is made;

13 (x) except as provided by Subparagraph (xi)  
14 of this paragraph, the lender or any holder of the note for the  
15 extension of credit shall forfeit all principal and interest of the  
16 extension of credit if the lender or holder fails to comply with the  
17 lender's or holder's obligations under the extension of credit and  
18 fails to correct the failure to comply not later than the 60th day  
19 after the date the lender or holder is notified by the borrower of  
20 the lender's failure to comply by:

21 (a) paying to the owner an amount  
22 equal to any overcharge paid by the owner under or related to the  
23 extension of credit if the owner has paid an amount that exceeds an  
24 amount stated in the applicable Paragraph (E), (G), or (O) of this  
25 subdivision;

26 (b) sending the owner a written  
27 acknowledgement that the lien is valid only in the amount that the



1 extension of credit does not exceed the percentage described by  
2 Paragraph (B) of this subdivision, if applicable, or is not secured  
3 by property described under Paragraph (H) of this subdivision, if  
4 applicable;

5 (c) sending the owner a written notice  
6 modifying any other amount, percentage, term, or other provision  
7 prohibited by this section to a permitted amount, percentage, term,  
8 or other provision and adjusting the account of the borrower to  
9 ensure that the borrower is not required to pay more than an amount  
10 permitted by this section and is not subject to any other term or  
11 provision prohibited by this section;

12 (d) delivering the required documents  
13 to the borrower if the lender fails to comply with Subparagraph (v)  
14 of this paragraph or obtaining the appropriate signatures if the  
15 lender fails to comply with Subparagraph (ix) of this paragraph;

16 (e) sending the owner a written  
17 acknowledgement, if the failure to comply is prohibited by  
18 Paragraph (K) of this subdivision, that the accrual of interest and  
19 all of the owner's obligations under the extension of credit are  
20 abated while any prior lien prohibited under Paragraph (K) remains  
21 secured by the homestead; or

22 (f) if the failure to comply cannot be  
23 cured under Subparagraphs (x)(a)-(e) of this paragraph, curing the  
24 failure to comply by a refund or credit to the owner of \$1,000 and  
25 offering the owner the right to refinance the extension of credit  
26 with the lender or holder for the remaining term of the loan at no  
27 cost to the owner on the same terms, including interest, as the

1 original extension of credit with any modifications necessary to  
2 comply with this section or on terms on which the owner and the  
3 lender or holder otherwise agree that comply with this section; and

4 (xi) the lender or any holder of the note  
5 for the extension of credit shall forfeit all principal and  
6 interest of the extension of credit if the extension of credit is  
7 made by a person other than a person described under Paragraph (P)  
8 of this subdivision or if the lien was not created under a written  
9 agreement with the consent of each owner and each owner's spouse,  
10 unless each owner and each owner's spouse who did not initially  
11 consent subsequently consents;

12 (7) a reverse mortgage; or

13 (8) the conversion and refinance of a personal  
14 property lien secured by a manufactured home to a lien on real  
15 property, including the refinance of the purchase price of the  
16 manufactured home, the cost of installing the manufactured home on  
17 the real property, and the refinance of the purchase price of the  
18 real property.

19 (g) An extension of credit described by Subsection (a)(6) of  
20 this section may be secured by a valid lien against homestead  
21 property if the extension of credit is not closed before the 12th  
22 day after the lender provides the owner with the following written  
23 notice on a separate instrument:

24 "NOTICE CONCERNING EXTENSIONS OF CREDIT DEFINED BY SECTION  
25 50(a)(6), ARTICLE XVI, TEXAS CONSTITUTION:

26 "SECTION 50(a)(6), ARTICLE XVI, OF THE TEXAS CONSTITUTION  
27 ALLOWS CERTAIN LOANS TO BE SECURED AGAINST THE EQUITY IN YOUR HOME.

1 SUCH LOANS ARE COMMONLY KNOWN AS EQUITY LOANS. IF YOU DO NOT REPAY  
2 THE LOAN OR IF YOU FAIL TO MEET THE TERMS OF THE LOAN, THE LENDER MAY  
3 FORECLOSE AND SELL YOUR HOME. THE CONSTITUTION PROVIDES THAT:

4 "(A) THE LOAN MUST BE VOLUNTARILY CREATED WITH THE CONSENT OF  
5 EACH OWNER OF YOUR HOME AND EACH OWNER'S SPOUSE;

6 "(B) THE PRINCIPAL LOAN AMOUNT AT THE TIME THE LOAN IS MADE  
7 MUST NOT EXCEED AN AMOUNT THAT, WHEN ADDED TO THE PRINCIPAL BALANCES  
8 OF ALL OTHER LIENS AGAINST YOUR HOME, IS MORE THAN 80 PERCENT OF THE  
9 FAIR MARKET VALUE OF YOUR HOME;

10 "(C) THE LOAN MUST BE WITHOUT RECOURSE FOR PERSONAL LIABILITY  
11 AGAINST YOU AND YOUR SPOUSE UNLESS YOU OR YOUR SPOUSE OBTAINED THIS  
12 EXTENSION OF CREDIT BY ACTUAL FRAUD;

13 "(D) THE LIEN SECURING THE LOAN MAY BE FORECLOSED UPON ONLY  
14 WITH A COURT ORDER;

15 "(E) FEES AND CHARGES TO MAKE THE LOAN MAY NOT EXCEED 2  
16 PERCENT OF THE LOAN AMOUNT, EXCEPT FOR A FEE OR CHARGE FOR AN  
17 APPRAISAL PERFORMED BY A THIRD PARTY APPRAISER, A PROPERTY SURVEY  
18 PERFORMED BY A STATE REGISTERED OR LICENSED SURVEYOR, A STATE BASE  
19 PREMIUM FOR A MORTGAGEE POLICY OF TITLE INSURANCE WITH  
20 ENDORSEMENTS, OR A TITLE EXAMINATION REPORT;

21 "(F) THE LOAN MAY NOT BE AN OPEN-END ACCOUNT THAT MAY BE  
22 DEBITED FROM TIME TO TIME OR UNDER WHICH CREDIT MAY BE EXTENDED FROM  
23 TIME TO TIME UNLESS IT IS A HOME EQUITY LINE OF CREDIT;

24 "(G) YOU MAY PREPAY THE LOAN WITHOUT PENALTY OR CHARGE;

25 "(H) NO ADDITIONAL COLLATERAL MAY BE SECURITY FOR THE LOAN;

26 "(I) (repealed);

27 "(J) YOU ARE NOT REQUIRED TO REPAY THE LOAN EARLIER THAN

1 AGREED SOLELY BECAUSE THE FAIR MARKET VALUE OF YOUR HOME DECREASES  
2 OR BECAUSE YOU DEFAULT ON ANOTHER LOAN THAT IS NOT SECURED BY YOUR  
3 HOME;

4 "(K) ONLY ONE LOAN DESCRIBED BY SECTION 50(a)(6), ARTICLE  
5 XVI, OF THE TEXAS CONSTITUTION MAY BE SECURED WITH YOUR HOME AT ANY  
6 GIVEN TIME;

7 "(L) THE LOAN MUST BE SCHEDULED TO BE REPAID IN PAYMENTS THAT  
8 EQUAL OR EXCEED THE AMOUNT OF ACCRUED INTEREST FOR EACH PAYMENT  
9 PERIOD;

10 "(M) THE LOAN MAY NOT CLOSE BEFORE 12 DAYS AFTER YOU SUBMIT A  
11 LOAN APPLICATION TO THE LENDER OR BEFORE 12 DAYS AFTER YOU RECEIVE  
12 THIS NOTICE, WHICHEVER DATE IS LATER; AND MAY NOT WITHOUT YOUR  
13 CONSENT CLOSE BEFORE ONE BUSINESS DAY AFTER THE DATE ON WHICH YOU  
14 RECEIVE A COPY OF YOUR LOAN APPLICATION IF NOT PREVIOUSLY PROVIDED  
15 AND A FINAL ITEMIZED DISCLOSURE OF THE ACTUAL FEES, POINTS,  
16 INTEREST, COSTS, AND CHARGES THAT WILL BE CHARGED AT CLOSING; AND IF  
17 YOUR HOME WAS SECURITY FOR THE SAME TYPE OF LOAN WITHIN THE PAST  
18 YEAR, A NEW LOAN SECURED BY THE SAME PROPERTY MAY NOT CLOSE BEFORE  
19 ONE YEAR HAS PASSED FROM THE CLOSING DATE OF THE OTHER LOAN, UNLESS  
20 ON OATH YOU REQUEST AN EARLIER CLOSING DUE TO A DECLARED STATE OF  
21 EMERGENCY;

22 "(N) THE LOAN MAY CLOSE ONLY AT THE OFFICE OF THE LENDER,  
23 TITLE COMPANY, OR AN ATTORNEY AT LAW, UNLESS YOU QUALIFY FOR AN  
24 EXCEPTION PROVIDED BY LAW;

25 "(O) THE LENDER MAY CHARGE ANY FIXED OR VARIABLE RATE OF  
26 INTEREST AUTHORIZED BY STATUTE;

27 "(P) ONLY A LAWFULLY AUTHORIZED LENDER MAY MAKE LOANS

1 DESCRIBED BY SECTION 50(a)(6), ARTICLE XVI, OF THE TEXAS  
2 CONSTITUTION;

3 "(Q) LOANS DESCRIBED BY SECTION 50(a)(6), ARTICLE XVI, OF THE  
4 TEXAS CONSTITUTION MUST:

5 "(1) NOT REQUIRE YOU TO APPLY THE PROCEEDS TO ANOTHER DEBT  
6 EXCEPT A DEBT THAT IS SECURED BY YOUR HOME OR OWED TO ANOTHER  
7 LENDER;

8 "(2) NOT REQUIRE THAT YOU ASSIGN WAGES AS SECURITY;

9 "(3) NOT REQUIRE THAT YOU EXECUTE INSTRUMENTS WHICH HAVE  
10 BLANKS FOR SUBSTANTIVE TERMS OF AGREEMENT LEFT TO BE FILLED IN;

11 "(4) NOT REQUIRE THAT YOU SIGN A CONFESSION OF JUDGMENT OR  
12 POWER OF ATTORNEY TO ANOTHER PERSON TO CONFESS JUDGMENT OR APPEAR IN  
13 A LEGAL PROCEEDING ON YOUR BEHALF;

14 "(5) PROVIDE THAT YOU RECEIVE A COPY OF YOUR FINAL LOAN  
15 APPLICATION AND ALL EXECUTED DOCUMENTS YOU SIGN AT CLOSING;

16 "(6) PROVIDE THAT THE SECURITY INSTRUMENTS CONTAIN A  
17 DISCLOSURE THAT THIS LOAN IS A LOAN DEFINED BY SECTION 50(a)(6),  
18 ARTICLE XVI, OF THE TEXAS CONSTITUTION;

19 "(7) PROVIDE THAT WHEN THE LOAN IS PAID IN FULL, THE LENDER  
20 WILL SIGN AND GIVE YOU A RELEASE OF LIEN OR AN ASSIGNMENT OF THE  
21 LIEN, WHICHEVER IS APPROPRIATE;

22 "(8) PROVIDE THAT YOU MAY, WITHIN 3 DAYS AFTER CLOSING,  
23 RESCIND THE LOAN WITHOUT PENALTY OR CHARGE;

24 "(9) PROVIDE THAT YOU AND THE LENDER ACKNOWLEDGE THE FAIR  
25 MARKET VALUE OF YOUR HOME ON THE DATE THE LOAN CLOSES; AND

26 "(10) PROVIDE THAT THE LENDER WILL FORFEIT ALL PRINCIPAL AND  
27 INTEREST IF THE LENDER FAILS TO COMPLY WITH THE LENDER'S

1 OBLIGATIONS UNLESS THE LENDER CURES THE FAILURE TO COMPLY AS  
2 PROVIDED BY SECTION 50(a)(6)(Q)(x), ARTICLE XVI, OF THE TEXAS  
3 CONSTITUTION; AND

4 "(R) IF THE LOAN IS A HOME EQUITY LINE OF CREDIT:

5 "(1) YOU MAY REQUEST ADVANCES, REPAY MONEY, AND REBORROW  
6 MONEY UNDER THE LINE OF CREDIT;

7 "(2) EACH ADVANCE UNDER THE LINE OF CREDIT MUST BE IN AN  
8 AMOUNT OF AT LEAST \$4,000;

9 "(3) YOU MAY NOT USE A CREDIT CARD, DEBIT CARD, OR SIMILAR  
10 DEVICE, OR PREPRINTED CHECK THAT YOU DID NOT SOLICIT, TO OBTAIN  
11 ADVANCES UNDER THE LINE OF CREDIT;

12 "(4) ANY FEES THE LENDER CHARGES MAY BE CHARGED AND COLLECTED  
13 ONLY AT THE TIME THE LINE OF CREDIT IS ESTABLISHED AND THE LENDER  
14 MAY NOT CHARGE A FEE IN CONNECTION WITH ANY ADVANCE;

15 "(5) THE MAXIMUM PRINCIPAL AMOUNT THAT MAY BE EXTENDED, WHEN  
16 ADDED TO ALL OTHER DEBTS SECURED BY YOUR HOME, MAY NOT EXCEED 80  
17 PERCENT OF THE FAIR MARKET VALUE OF YOUR HOME ON THE DATE THE LINE OF  
18 CREDIT IS ESTABLISHED;

19 "(6) IF THE PRINCIPAL BALANCE UNDER THE LINE OF CREDIT AT ANY  
20 TIME EXCEEDS 80 PERCENT OF THE FAIR MARKET VALUE OF YOUR HOME, AS  
21 DETERMINED ON THE DATE THE LINE OF CREDIT IS ESTABLISHED, YOU MAY  
22 NOT CONTINUE TO REQUEST ADVANCES UNDER THE LINE OF CREDIT UNTIL THE  
23 BALANCE IS LESS THAN 80 PERCENT OF THE FAIR MARKET VALUE; AND

24 "(7) THE LENDER MAY NOT UNILATERALLY AMEND THE TERMS OF THE  
25 LINE OF CREDIT.

26 "THIS NOTICE IS ONLY A SUMMARY OF YOUR RIGHTS UNDER THE TEXAS  
27 CONSTITUTION. YOUR RIGHTS ARE GOVERNED BY SECTION 50, ARTICLE XVI,

1 OF THE TEXAS CONSTITUTION, AND NOT BY THIS NOTICE."

2 If the discussions with the borrower are conducted primarily  
3 in a language other than English, the lender shall, before closing,  
4 provide an additional copy of the notice translated into the  
5 written language in which the discussions were conducted.

6 SECTION 2. This proposed constitutional amendment shall be  
7 submitted to the voters at an election to be held November 7, 2023.  
8 The ballot shall be printed to permit voting for or against the  
9 proposition: "The constitutional amendment authorizing the  
10 legislature to provide for exceptions to the requirement that a  
11 home equity loan be closed only at the office of the lender, an  
12 attorney at law, or a title company."