

SENATE JOINT RESOLUTION

proposing a constitutional amendment establishing a lower amount for expenses that can be charged to a borrower and removing certain financing expense limitations for a home equity loan, establishing certain authorized lenders to make a home equity loan, changing certain options for the refinancing of home equity loans, changing the threshold for an advance of a home equity line of credit, and allowing home equity loans on agricultural homesteads.

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

SECTION 1. Section 50, Article XVI, Texas Constitution, is amended by amending Subsections (a), (f), (g), and (t) and adding Subsection (f-1) to read as follows:

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

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

(2) the taxes due thereon;

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

(4) the refinance of a lien against a homestead,

1 including a federal tax lien resulting from the tax debt of both  
2 spouses, if the homestead is a family homestead, or from the tax  
3 debt of the owner;

4 (5) work and material used in constructing new  
5 improvements thereon, if contracted for in writing, or work and  
6 material used to repair or renovate existing improvements thereon  
7 if:

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

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

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

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

5 (6) an extension of credit that:

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

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

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

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

19 (E) does not require the owner or the owner's  
20 spouse to pay, in addition to any interest or any bona fide discount  
21 points used to buy down the interest rate, any fees to any person  
22 that are necessary to originate, evaluate, maintain, record,  
23 insure, or service the extension of credit that exceed, in the  
24 aggregate, two [~~three~~] percent of the original principal amount of  
25 the extension of credit, excluding fees for:

26 (i) an appraisal performed by a third party  
27 appraiser;

1                    (ii) a property survey performed by a state  
2 registered or licensed surveyor;

3                    (iii) a state base premium for a mortgagee  
4 policy of title insurance with endorsements established in  
5 accordance with state law; or

6                    (iv) a title examination report if its cost  
7 is less than the state base premium for a mortgagee policy of title  
8 insurance without endorsements established in accordance with  
9 state law;

10                    (F) is not a form of open-end account that may be  
11 debited from time to time or under which credit may be extended from  
12 time to time unless the open-end account is a home equity line of  
13 credit;

14                    (G) is payable in advance without penalty or  
15 other charge;

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

18                    (I) (repealed) [~~is not secured by homestead~~  
19 ~~property that on the date of closing is designated for agricultural~~  
20 ~~use as provided by statutes governing property tax, unless such~~  
21 ~~homestead property is used primarily for the production of milk];~~

22                    (J) may not be accelerated because of a decrease  
23 in the market value of the homestead or because of the owner's  
24 default under other indebtedness not secured by a prior valid  
25 encumbrance against the homestead;

26                    (K) is the only debt secured by the homestead at  
27 the time the extension of credit is made unless the other debt was

1 made for a purpose described by Subsections (a)(1)-(a)(5) or  
2 Subsection (a)(8) of this section;

3 (L) is scheduled to be repaid:

4 (i) in substantially equal successive  
5 periodic installments, not more often than every 14 days and not  
6 less often than monthly, beginning no later than two months from the  
7 date the extension of credit is made, each of which equals or  
8 exceeds the amount of accrued interest as of the date of the  
9 scheduled installment; or

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

13 (M) is closed not before:

14 (i) the 12th day after the later of the date  
15 that the owner of the homestead submits a loan application to the  
16 lender for the extension of credit or the date that the lender  
17 provides the owner a copy of the notice prescribed by Subsection (g)  
18 of this section;

19 (ii) one business day after the date that  
20 the owner of the homestead receives a copy of the loan application  
21 if not previously provided and a final itemized disclosure of the  
22 actual fees, points, interest, costs, and charges that will be  
23 charged at closing. If a bona fide emergency or another good cause  
24 exists and the lender obtains the written consent of the owner, the  
25 lender may provide the documentation to the owner or the lender may  
26 modify previously provided documentation on the date of closing;  
27 and

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

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

9 (b) applies to the area where the  
10 homestead is located;

11 (N) is closed only at the office of the lender, an  
12 attorney at law, or a title company;

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

15 (P) is made by one of the following that has not  
16 been found by a federal regulatory agency to have engaged in the  
17 practice of refusing to make loans because the applicants for the  
18 loans reside or the property proposed to secure the loans is located  
19 in a certain area:

20 (i) a bank, savings and loan association,  
21 savings bank, or credit union doing business under the laws of this  
22 state or the United States, including a subsidiary of a bank,  
23 savings and loan association, savings bank, or credit union  
24 described by this subparagraph;

25 (ii) a federally chartered lending  
26 instrumentality or a person approved as a mortgagee by the United  
27 States government to make federally insured loans;

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

3 (iv) a person who sold the homestead  
4 property to the current owner and who provided all or part of the  
5 financing for the purchase;

6 (v) a person who is related to the homestead  
7 property owner within the second degree of affinity or  
8 consanguinity; or

9 (vi) a person regulated by this state as a  
10 mortgage banker or mortgage company [~~broker~~]; and

11 (Q) is made on the condition that:

12 (i) the owner of the homestead is not  
13 required to apply the proceeds of the extension of credit to repay  
14 another debt except debt secured by the homestead or debt to another  
15 lender;

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

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

21 (iv) the owner of the homestead not sign a  
22 confession of judgment or power of attorney to the lender or to a  
23 third person to confess judgment or to appear for the owner in a  
24 judicial proceeding;

25 (v) at the time the extension of credit is  
26 made, the owner of the homestead shall receive a copy of the final  
27 loan application and all executed documents signed by the owner at

1 closing related to the extension of credit;

2 (vi) the security instruments securing the  
3 extension of credit contain a disclosure that the extension of  
4 credit is the type of credit defined by Subsection (a)(6) of this  
5 section [~~Section 50(a)(6), Article XVI, Texas Constitution~~];

6 (vii) within a reasonable time after  
7 termination and full payment of the extension of credit, the lender  
8 cancel and return the promissory note to the owner of the homestead  
9 and give the owner, in recordable form, a release of the lien  
10 securing the extension of credit or a copy of an endorsement and  
11 assignment of the lien to a lender that is refinancing the extension  
12 of credit;

13 (viii) the owner of the homestead and any  
14 spouse of the owner may, within three days after the extension of  
15 credit is made, rescind the extension of credit without penalty or  
16 charge;

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

20 (x) except as provided by Subparagraph (xi)  
21 of this paragraph, the lender or any holder of the note for the  
22 extension of credit shall forfeit all principal and interest of the  
23 extension of credit if the lender or holder fails to comply with the  
24 lender's or holder's obligations under the extension of credit and  
25 fails to correct the failure to comply not later than the 60th day  
26 after the date the lender or holder is notified by the borrower of  
27 the lender's failure to comply by:

1           (a) paying to the owner an amount  
2 equal to any overcharge paid by the owner under or related to the  
3 extension of credit if the owner has paid an amount that exceeds an  
4 amount stated in the applicable Paragraph (E), (G), or (O) of this  
5 subdivision;

6           (b) sending the owner a written  
7 acknowledgement that the lien is valid only in the amount that the  
8 extension of credit does not exceed the percentage described by  
9 Paragraph (B) of this subdivision, if applicable, or is not secured  
10 by property described under Paragraph (H) [~~or (I)~~] of this  
11 subdivision, if applicable;

12           (c) sending the owner a written notice  
13 modifying any other amount, percentage, term, or other provision  
14 prohibited by this section to a permitted amount, percentage, term,  
15 or other provision and adjusting the account of the borrower to  
16 ensure that the borrower is not required to pay more than an amount  
17 permitted by this section and is not subject to any other term or  
18 provision prohibited by this section;

19           (d) delivering the required documents  
20 to the borrower if the lender fails to comply with Subparagraph (v)  
21 of this paragraph or obtaining the appropriate signatures if the  
22 lender fails to comply with Subparagraph (ix) of this paragraph;

23           (e) sending the owner a written  
24 acknowledgement, if the failure to comply is prohibited by  
25 Paragraph (K) of this subdivision, that the accrual of interest and  
26 all of the owner's obligations under the extension of credit are  
27 abated while any prior lien prohibited under Paragraph (K) remains

1 secured by the homestead; or

2 (f) if the failure to comply cannot be  
3 cured under Subparagraphs (x)(a)-(e) of this paragraph, curing the  
4 failure to comply by a refund or credit to the owner of \$1,000 and  
5 offering the owner the right to refinance the extension of credit  
6 with the lender or holder for the remaining term of the loan at no  
7 cost to the owner on the same terms, including interest, as the  
8 original extension of credit with any modifications necessary to  
9 comply with this section or on terms on which the owner and the  
10 lender or holder otherwise agree that comply with this section; and

11 (xi) the lender or any holder of the note  
12 for the extension of credit shall forfeit all principal and  
13 interest of the extension of credit if the extension of credit is  
14 made by a person other than a person described under Paragraph (P)  
15 of this subdivision or if the lien was not created under a written  
16 agreement with the consent of each owner and each owner's spouse,  
17 unless each owner and each owner's spouse who did not initially  
18 consent subsequently consents;

19 (7) a reverse mortgage; or

20 (8) the conversion and refinance of a personal  
21 property lien secured by a manufactured home to a lien on real  
22 property, including the refinance of the purchase price of the  
23 manufactured home, the cost of installing the manufactured home on  
24 the real property, and the refinance of the purchase price of the  
25 real property.

26 (f) A refinance of debt secured by the homestead, any  
27 portion of which is an extension of credit described by Subsection

1 (a)(6) of this section, may not be secured by a valid lien against  
2 the homestead unless either:

3 (1) the refinance of the debt is an extension of credit  
4 described by Subsection (a)(6) or (a)(7) of this section; or

5 (2) all of the following conditions are met:

6 (A) the refinance is not closed before the first  
7 anniversary of the date the extension of credit was closed;

8 (B) the refinanced extension of credit does not  
9 include the advance of any additional funds other than:

10 (i) funds advanced to refinance a debt  
11 described by Subsections (a)(1) through (a)(7) of this section; or

12 (ii) actual costs and reserves required by  
13 the lender to refinance the debt;

14 (C) the refinance of the extension of credit is  
15 of a principal amount that when added to the aggregate total of the  
16 outstanding principal balances of all other indebtedness secured by  
17 valid encumbrances of record against the homestead does not exceed  
18 80 percent of the fair market value of the homestead on the date the  
19 refinance of the extension of credit is made; and

20 (D) the lender provides the owner the following  
21 written notice on a separate document not later than the third  
22 business day after the date the owner submits the loan application  
23 to the lender and at least 12 days before the date the refinance of  
24 the extension of credit is closed:

25 "YOUR EXISTING LOAN THAT YOU DESIRE TO REFINANCE IS A HOME  
26 EQUITY LOAN. YOU MAY HAVE THE OPTION TO REFINANCE YOUR HOME EQUITY  
27 LOAN AS EITHER A HOME EQUITY LOAN OR AS A NON-HOME EQUITY LOAN, IF

1 OFFERED BY YOUR LENDER.

2 "HOME EQUITY LOANS HAVE IMPORTANT CONSUMER PROTECTIONS. A  
3 LENDER MAY ONLY FORECLOSE A HOME EQUITY LOAN BASED ON A COURT ORDER.  
4 A HOME EQUITY LOAN MUST BE WITHOUT RECOURSE FOR PERSONAL LIABILITY  
5 AGAINST YOU AND YOUR SPOUSE.

6 "IF YOU HAVE APPLIED TO REFINANCE YOUR EXISTING HOME EQUITY  
7 LOAN AS A NON-HOME EQUITY LOAN, YOU WILL LOSE CERTAIN CONSUMER  
8 PROTECTIONS. A NON-HOME EQUITY REFINANCED LOAN:

9 "(1) WILL PERMIT THE LENDER TO FORECLOSE WITHOUT A  
10 COURT ORDER;

11 "(2) WILL BE WITH RECOURSE FOR PERSONAL LIABILITY  
12 AGAINST YOU AND YOUR SPOUSE; AND

13 "(3) MAY ALSO CONTAIN OTHER TERMS OR CONDITIONS THAT  
14 MAY NOT BE PERMITTED IN A TRADITIONAL HOME EQUITY LOAN.

15 "BEFORE YOU REFINANCE YOUR EXISTING HOME EQUITY LOAN TO MAKE  
16 IT A NON-HOME EQUITY LOAN, YOU SHOULD MAKE SURE YOU UNDERSTAND THAT  
17 YOU ARE WAIVING IMPORTANT PROTECTIONS THAT HOME EQUITY LOANS  
18 PROVIDE UNDER THE LAW AND SHOULD CONSIDER CONSULTING WITH AN  
19 ATTORNEY OF YOUR CHOOSING REGARDING THESE PROTECTIONS.

20 "YOU MAY WISH TO ASK YOUR LENDER TO REFINANCE YOUR LOAN AS A  
21 HOME EQUITY LOAN. HOWEVER, A HOME EQUITY LOAN MAY HAVE A HIGHER  
22 INTEREST RATE AND CLOSING COSTS THAN A NON-HOME EQUITY LOAN."

23 (f-1) A lien securing a refinance of debt under Subsection  
24 (f)(2) of this section is deemed to be a lien described by  
25 Subsection (a)(4) of this section. An affidavit executed by the  
26 owner or the owner's spouse acknowledging that the requirements of  
27 Subsection (f)(2) of this section have been met conclusively

1 establishes that the requirements of Subsection (a)(4) of this  
2 section have been met.

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

8 "NOTICE CONCERNING EXTENSIONS OF CREDIT DEFINED BY SECTION  
9 50(a)(6), ARTICLE XVI, TEXAS CONSTITUTION:

10 "SECTION 50(a)(6), ARTICLE XVI, OF THE TEXAS CONSTITUTION  
11 ALLOWS CERTAIN LOANS TO BE SECURED AGAINST THE EQUITY IN YOUR HOME.  
12 SUCH LOANS ARE COMMONLY KNOWN AS EQUITY LOANS. IF YOU DO NOT REPAY  
13 THE LOAN OR IF YOU FAIL TO MEET THE TERMS OF THE LOAN, THE LENDER MAY  
14 FORECLOSE AND SELL YOUR HOME. THE CONSTITUTION PROVIDES THAT:

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

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

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

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

26 "(E) FEES AND CHARGES TO MAKE THE LOAN MAY NOT EXCEED 2 [~~3~~]  
27 PERCENT OF THE LOAN AMOUNT, EXCEPT FOR A FEE OR CHARGE FOR AN

1 APPRAISAL PERFORMED BY A THIRD PARTY APPRAISER, A PROPERTY SURVEY  
2 PERFORMED BY A STATE REGISTERED OR LICENSED SURVEYOR, A STATE BASE  
3 PREMIUM FOR A MORTGAGEE POLICY OF TITLE INSURANCE WITH  
4 ENDORSEMENTS, OR A TITLE EXAMINATION REPORT;

5 "(F) THE LOAN MAY NOT BE AN 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 IT IS A HOME EQUITY LINE OF CREDIT;

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

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

10 "(I) (repealed) [~~THE LOAN MAY NOT BE SECURED BY HOMESTEAD~~  
11 ~~PROPERTY THAT IS DESIGNATED FOR AGRICULTURAL USE AS OF THE DATE OF~~  
12 ~~CLOSING, UNLESS THE AGRICULTURAL HOMESTEAD PROPERTY IS USED~~  
13 ~~PRIMARILY FOR THE PRODUCTION OF MILK~~];

14 "(J) YOU ARE NOT REQUIRED TO REPAY THE LOAN EARLIER THAN  
15 AGREED SOLELY BECAUSE THE FAIR MARKET VALUE OF YOUR HOME DECREASES  
16 OR BECAUSE YOU DEFAULT ON ANOTHER LOAN THAT IS NOT SECURED BY YOUR  
17 HOME;

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

21 "(L) THE LOAN MUST BE SCHEDULED TO BE REPAYED IN PAYMENTS THAT  
22 EQUAL OR EXCEED THE AMOUNT OF ACCRUED INTEREST FOR EACH PAYMENT  
23 PERIOD;

24 "(M) THE LOAN MAY NOT CLOSE BEFORE 12 DAYS AFTER YOU SUBMIT A  
25 LOAN APPLICATION TO THE LENDER OR BEFORE 12 DAYS AFTER YOU RECEIVE  
26 THIS NOTICE, WHICHEVER DATE IS LATER; AND MAY NOT WITHOUT YOUR  
27 CONSENT CLOSE BEFORE ONE BUSINESS DAY AFTER THE DATE ON WHICH YOU

1 RECEIVE A COPY OF YOUR LOAN APPLICATION IF NOT PREVIOUSLY PROVIDED  
2 AND A FINAL ITEMIZED DISCLOSURE OF THE ACTUAL FEES, POINTS,  
3 INTEREST, COSTS, AND CHARGES THAT WILL BE CHARGED AT CLOSING; AND IF  
4 YOUR HOME WAS SECURITY FOR THE SAME TYPE OF LOAN WITHIN THE PAST  
5 YEAR, A NEW LOAN SECURED BY THE SAME PROPERTY MAY NOT CLOSE BEFORE  
6 ONE YEAR HAS PASSED FROM THE CLOSING DATE OF THE OTHER LOAN, UNLESS  
7 ON OATH YOU REQUEST AN EARLIER CLOSING DUE TO A DECLARED STATE OF  
8 EMERGENCY;

9 "(N) THE LOAN MAY CLOSE ONLY AT THE OFFICE OF THE LENDER,  
10 TITLE COMPANY, OR AN ATTORNEY AT LAW;

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

13 "(P) ONLY A LAWFULLY AUTHORIZED LENDER MAY MAKE LOANS  
14 DESCRIBED BY SECTION 50(a)(6), ARTICLE XVI, OF THE TEXAS  
15 CONSTITUTION;

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

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

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

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

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

27 "(5) PROVIDE THAT YOU RECEIVE A COPY OF YOUR FINAL LOAN

1 APPLICATION AND ALL EXECUTED DOCUMENTS YOU SIGN AT CLOSING;

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

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

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

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

12 "(10) PROVIDE THAT THE LENDER WILL FORFEIT ALL PRINCIPAL AND  
13 INTEREST IF THE LENDER FAILS TO COMPLY WITH THE LENDER'S  
14 OBLIGATIONS UNLESS THE LENDER CURES THE FAILURE TO COMPLY AS  
15 PROVIDED BY SECTION 50(a)(6)(Q)(x), ARTICLE XVI, OF THE TEXAS  
16 CONSTITUTION; AND

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

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

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

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

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

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

5           "(6) IF THE PRINCIPAL BALANCE UNDER THE LINE OF CREDIT AT ANY  
6 TIME EXCEEDS 80 [~~50~~] PERCENT OF THE FAIR MARKET VALUE OF YOUR HOME,  
7 AS DETERMINED ON THE DATE THE LINE OF CREDIT IS ESTABLISHED, YOU MAY  
8 NOT CONTINUE TO REQUEST ADVANCES UNDER THE LINE OF CREDIT UNTIL THE  
9 BALANCE IS LESS THAN 80 [~~50~~] PERCENT OF THE FAIR MARKET VALUE; AND

10           "(7) THE LENDER MAY NOT UNILATERALLY AMEND THE TERMS OF THE  
11 LINE OF CREDIT.

12           "THIS NOTICE IS ONLY A SUMMARY OF YOUR RIGHTS UNDER THE TEXAS  
13 CONSTITUTION. YOUR RIGHTS ARE GOVERNED BY SECTION 50, ARTICLE XVI,  
14 OF THE TEXAS CONSTITUTION, AND NOT BY THIS NOTICE."

15           If the discussions with the borrower are conducted primarily  
16 in a language other than English, the lender shall, before closing,  
17 provide an additional copy of the notice translated into the  
18 written language in which the discussions were conducted.

19           (t) A home equity line of credit is a form of an open-end  
20 account that may be debited from time to time, under which credit  
21 may be extended from time to time and under which:

22                   (1) the owner requests advances, repays money, and  
23 reborrows money;

24                   (2) any single debit or advance is not less than  
25 \$4,000;

26                   (3) the owner does not use a credit card, debit card,  
27 or similar device, or preprinted check unsolicited by the borrower,

1 to obtain an advance;

2 (4) any fees described by Subsection (a)(6)(E) of this  
3 section are charged and collected only at the time the extension of  
4 credit is established and no fee is charged or collected in  
5 connection with any debit or advance;

6 (5) the maximum principal amount that may be extended  
7 under the account, when added to the aggregate total of the  
8 outstanding principal balances of all indebtedness secured by the  
9 homestead on the date the extension of credit is established, does  
10 not exceed an amount described under Subsection (a)(6)(B) of this  
11 section;

12 (6) repealed [~~no additional debits or advances are~~  
13 ~~made if the total principal amount outstanding exceeds an amount~~  
14 ~~equal to 50 percent of the fair market value of the homestead as~~  
15 ~~determined on the date the account is established~~];

16 (7) the lender or holder may not unilaterally amend  
17 the extension of credit; and

18 (8) repayment is to be made in regular periodic  
19 installments, not more often than every 14 days and not less often  
20 than monthly, beginning not later than two months from the date the  
21 extension of credit is established, and:

22 (A) during the period during which the owner may  
23 request advances, each installment equals or exceeds the amount of  
24 accrued interest; and

25 (B) after the period during which the owner may  
26 request advances, installments are substantially equal.

27 SECTION 2. The following temporary provision is added to

1 the Texas Constitution:

2 TEMPORARY PROVISION. (a) This temporary provision applies  
3 to the constitutional amendment proposed by the 85th Legislature,  
4 Regular Session, 2017, to establish a lower amount for expenses  
5 that can be charged to a borrower and removing certain financing  
6 expense limitations for a home equity loan, establishing certain  
7 authorized lenders to make a home equity loan, changing certain  
8 options for the refinancing of home equity loans, changing the  
9 threshold for an advance of a home equity line of credit, and  
10 allowing home equity loans on agricultural homesteads.

11 (b) The constitutional amendment takes effect January 1,  
12 2018.

13 (c) The changes in law made by the constitutional amendment  
14 apply only to a home equity loan made on or after the effective date  
15 of the constitutional amendment and to an existing home equity loan  
16 that is refinanced on or after the effective date of the  
17 constitutional amendment.

18 (d) This temporary provision takes effect on the adoption of  
19 the constitutional amendment by the voters and expires January 1,  
20 2019.

21 SECTION 3. This proposed constitutional amendment shall be  
22 submitted to the voters at an election to be held November 7, 2017.  
23 The ballot shall be printed to provide for voting for or against the  
24 proposition: "The constitutional amendment to establish a lower  
25 amount for expenses that can be charged to a borrower and removing  
26 certain financing expense limitations for a home equity loan,  
27 establishing certain authorized lenders to make a home equity loan,

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1 changing certain options for the refinancing of home equity loans,  
2 changing the threshold for an advance of a home equity line of  
3 credit, and allowing home equity loans on agricultural homesteads."

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President of the Senate

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Speaker of the House

I hereby certify that S.J.R. No. 60 was adopted by the Senate on April 20, 2017, by the following vote: Yeas 30, Nays 0.

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Secretary of the Senate

I hereby certify that S.J.R. No. 60 was adopted by the House on May 6, 2017, by the following vote: Yeas 143, Nays 0, two present not voting.

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Chief Clerk of the House