

TEXAS REVERSE MORTGAGES

IF YOU HAVE QUESTIONS REGARDING THIS MATTER, PLEASE CONTACT:



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The Texas reverse mortgage permits senior Texans to use the equity in their homestead to provide retirement cash flow, or younger Texans to assist their parents or other relatives to plan their retirement. The following is a summary of the Texas laws describing a Texas reverse mortgage:

A reverse mortgage means an extension of credit secured by a voluntary lien on homestead property created by a deed of trust with the consent of the owner of the homestead, and of the owner's spouse, who is 62 years of age or older. The reverse mortgage is made without recourse for personal liability against the owner or the owner's spouse.

The original principal amount of the reverse mortgage is based on the equity in a borrower's homestead and does not have to be paid until (i) all borrowers have died, (ii) the homestead is sold or the title is transferred (such as by gift), (iii) the borrowers do not occupy the homestead for a period longer than 12 consecutive months without the prior written approval of the lender, (iv) the borrower defaults on an obligation in the loan documents to repair and maintain, pay taxes and assessments on, or insure, the homestead, (v) the borrower commits actual fraud in connection with the loan, or (vi) fails to maintain the priority of the lender's lien on the homestead.

Although payment of principal or interest on the reverse mortgage shall not be required until the entire loan becomes due and payable, interest may accrue and be compounded during the term of the loan as provided by the reverse mortgage loan agreement.

The Texas Constitution, Art. 16, Section 50 has the following provisions as to advances made on a reverse mortgage loan:

The advances made on a reverse mortgage loan under which more than one advance is made must be made by one or more of the following methods:

- (1) an initial advance at any time and future advances at regular intervals;
- (2) an initial advance at any time and future advances at regular intervals in which the amounts advanced may be reduced, for one or more advances, at the request of the borrower;
- (3) an initial advance at any time and future advances at times and in amounts requested by the borrower until the credit limit established by the loan documents is reached;

(4) an initial advance at any time, future advances at times and in amounts requested by the borrower until the credit limit established by the loan documents is reached, and subsequent advances at times and in amounts requested by the borrower according to the terms established by the loan documents to the extent that the outstanding balance is repaid; or

(5) at any time by the lender, on behalf of the borrower, if the borrower fails to timely pay any of the following that the borrower is obligated to pay under the loan documents to the extent necessary to protect the lender's interest in or the value of the homestead property:

(A) taxes;

(B) insurance;

(C) costs of repairs or maintenance performed by a person or company that is not an employee of the lender or a person or company that directly or indirectly controls, is controlled by, or is under common control with, the lender;

(D) assessments levied against the homestead property; and

(E) any lien that has, or may obtain, priority over the lender's lien as it is established in the loan documents.

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