

Home Equity Loans: Common Questions and Answers

The Texas Constitution protected homesteads from forced sale for 158 years. All that changed on Jan. 1, 1998, when a voter-approved amendment to the constitution took effect. This law allows certain loans to be secured against the equity in a home; such loans are commonly known as home equity loans. **If the loan is not repaid or the terms of the loan are not met, the lender may foreclose and sell the home.**

The information on this page is not a substitute for legal advice. If you have a problem with a home equity loan or lender, your best course of action is to contact your attorney. The Office of Consumer Credit has a help line at (800)538-1579. Remember that if you default on a home equity loan, **you could lose your home.**

What is a home equity loan?

Homeowners can borrow money using up to 80 percent of the value of their home as collateral.

“Equity” is the value of a home minus any liens or mortgages that are secured by the home. For example, for a \$100,000 home with an outstanding mortgage of \$30,000, the homeowner has equity of \$70,000. If there were no mortgage or lien, the equity would be \$100,000.

How much can I borrow?

If, for example, your home was valued at \$100,000 with a \$30,000 mortgage, you could borrow against up to 80 percent. In other words, 80 percent of \$100,000 is \$80,000. Subtracting the \$30,000 mortgage, you are left with \$50,000 to borrow.

How much will a home equity loan cost?

Home equity loans usually have lower interest rates than other types of consumer loans, other than first mortgages. The specific rate is determined by competition among creditors and the borrower's own credit history. A borrower cannot be required to pay fees, in addition to interest, in excess of three percent of the principal amount borrowed.

Are there different kinds of home equity loans?

Yes, there are two basic types of home equity loans: first mortgages and secondary mortgages. A first mortgage is a loan secured when an individual buys a home, or it can be a refinancing of an existing mortgage. A secondary mortgage is a loan secured by a homestead that has at least one other mortgage or lien.

How can I use the money?

However you choose. There are no legal restrictions; however lenders may set their own limitations. For example, some lenders may only offer home improvement loans.

What if I change my mind?

The law requires a 12-day waiting period after a consumer submits an application and receives written notice of his or her consumer rights. This means you have 12 days to change your mind before the loan is closed. Read the notice carefully — the Texas Constitution gives you important protections as a home equity loan consumer. No pre-payment penalties are allowed, and the lender cannot make you use your home as collateral on any other loan. Both spouses must sign all loan documents. Additionally, the homeowner or homeowner's spouse can cancel the contract without penalty within three days after the closing.

How many home equity loans can I have?

Only one at a time, and the loan cannot be refinanced more frequently than once a year.

This page was adapted from the brochure, “Home Equity Lending: Common Questions and Answers for Texans,” prepared by The Office of Consumer Credit; the brochure can be downloaded at www.occ.state.tx.us. For a list of protections provided to you by the Texas Constitution, see www.peopleslawyer.net/Realestate/equity.html or the Texas Constitution, Article 16, Section 50(g).

Learn About BODA, Get Free Ethics Credit

The Board of Disciplinary Appeals will hold free, open forums on its policies, procedures, and role in the discipline system on April 10 at in Dallas at the Hughes-Trigg Student Center at SMU, and May 15 in Houston at South Texas College of Law. Contact BODA at (800)204-2222, or (512)463-1463, Ext. 2137. The programs are accredited for two hours of ethics.

Banks honored by NABE

Ginger Banks, former director of the State Bar Member Services Division, received the E.A. "Wally" Richter Leadership Award from the Communications Section of the National Association of Bar Executives (NABE) at its meeting in Philadelphia in February. The award recog-

nizes professional achievement, service, and leadership in the Communications Section.



Brockovich, Asleep at the Wheel to Headline 2002 Annual Meeting

With speakers including Erin Brockovich, music by Asleep at the Wheel, more than 30 hours of free CLE, and programs like "Texas Trial Titans: A Live Trial Demonstration," this year's Annual Meeting in Dallas, June 13-15, promises to be bigger and better than ever. Early bird registra-

tion forms will be mailed to all Bar members in April. A detailed schedule and registration form will be included in the May *Bar Journal*. Registration before May 1 is \$20, and \$50 after May 1. For more information, visit www.texasbar.com.

Sarah T. Hughes Award Nominations Sought

The nomination deadline for the prestigious Sarah T. Hughes Award is April 26. The award honors women attorneys whose outstanding accomplishments have paved the way for success for other women attorneys. The award is given by the State Bar Women and the Law Section at its annual meeting in June. For more information and to submit a nomination, contact Kathy Casarez at (800)204-2222, Ext. 1420.

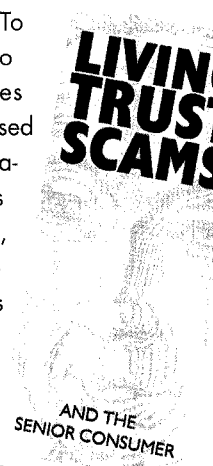
Career Consultant And Personality Test At April 27 Seminar

Attorney Hindi Greenberg, who presented her "standing-room-only" seminar of

"300 Things You Can Do with a Law Degree" last year in Dallas, will present it this year in Austin — on April 27 at the Texas Law Center. Also at this TYLA-sponsored seminar, attorney Beth Krugler will administer the Myers-Briggs personality type indicator test. For more information and to register, call (512)463-1463 or (800)204-2222, Ext. 6429.

Popular TYLA Brochures Updated

The "Living Trust Scams" and "To Will or Not to Will" brochures have been revised to reflect legislative changes effective Jan. 1, 2002. These TYLA brochures are free upon request (up to 25 copies). To order, call (800)204-2222, Ext. 2610, e-mail tsweet@texasbar.com, or fax (512) 475-0809.



State Bar of Texas External Affairs Officer and Governmental Relations Director Kalyn Laney, left, and Executive Director Tony Alvarado, right, with Ginger Banks, who was honored by the NABE Communications Section.

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2000 Attorney Median Income by Occupation

GOVERNMENT ATTORNEYS	\$63,124
CORPORATE/IN-HOUSE COUNSEL	\$124,776
PRIVATE LAW PRACTICE	\$109,282

Source: 2001 Lawyer Technology Survey, a collaborative project of the State Bar Department of Research and Texas Bar CLE. The survey was sent to 6,000 attorneys who were asked to report on their net income before taxes for the year 2000. The data presented above is for attorneys who reported working full time only. To obtain more detailed income reports for each occupation, call (800)204-2222 or (512)463-1463, Ext. 2024 or e-mail research@texasbar.com. The reports are also available on the State Bar website at www.texasbar.com/public/consumerinfo/research/research.asp.