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## Modification of Home Equity Loans in Texas



**Shannon Skurner**  
[sskurner@oldrepublictitle.com](mailto:sskurner@oldrepublictitle.com)  
888-678-1700

Hello!

I have a **Bulletin** for you regarding **modifications of home equity loans in Texas.**

*Continue reading below.*

Regards,  
**Shannon Skurner**



### Modifications of Home Equity Loans in Texas

More and more Lenders are requesting the **T-38 Modification Endorsement** when they modify an existing home equity loan. Many of these modification agreements are attempts to allow the borrower to avoid foreclosure and Lenders are willing to engage in these modifications in the current economic climate.

These modification agreements generally address a change in the rate and terms of interest or add additional money to the loan. Often, the additional money is to address arrearages for interest payments, rate changes, late charges, attorney's fees, etc., that are not strictly additions to the principal amount. Therefore, the argument is made that no new money is being added to the principal so you should be able to issue the T-38 endorsement. **Old Republic Title** does not insure these modifications due to the numerous restrictions applying to home equity lending in Texas. The constitutional amendment allowing home equity loans does not allow a modification of an existing home equity loan.

The Texas Finance Commission was given the authority to promulgate guidelines pertaining to home equity loans but this authority was immediately challenged by ACORN and other groups - of which, one of these lawsuits is still winding its way through the appeal process. Until this process is complete, we have no confidence that any of the guidelines for modification of a Texas home equity loan will stand. Based on these facts, **Old Republic Title** will not issue a T-38 endorsement to cover a home equity loan modification.

Often, a Lender will request a new loan policy rather than a T-38 endorsement when a home equity loan is modified. The same line of reason applies to these requests and we will not insure a modification of a home equity loan by issuing a loan policy.

For questions, additional information and/or to discuss any particular request to insure such a modification, please telephone David Rhodes, Lisa Beville or Steve Streiff in our Legal Department.



**David Rhodes**  
**Sr. Underwriting Counsel**  
888-678-1700  
[drhodes@oldrepublictitle.com](mailto:drhodes@oldrepublictitle.com)



**Lisa Beville**  
**Underwriting Counsel**  
888-678-1700  
[lbeville@oldrepublictitle.com](mailto:lbeville@oldrepublictitle.com)



**Steve Streiff**  
**Underwriting Counsel**  
888-678-1700  
[sstreiff@oldrepublictitle.com](mailto:sstreiff@oldrepublictitle.com)