

Wait – No Disclosure Requirement?

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When the Texas high-cost home loan law was passed in 2001, it contained a provision requiring that lenders give a special high-cost home loan notice, along with a statement regarding the value of mortgage counseling and a list of housing counseling agencies.

The Office of Consumer Credit Commissioner provided the form of the notice that lenders were required to give. The notice was actually required on all loans with an interest rate over 12 percent, even if such loans did not exceed the high-cost home loan thresholds. However, the section of the Finance Code that mandated this disclosure requirement also contained an expiration date of September 1, 2003.

The Texas Legislature later tried to repeal that expiration date and keep the disclosure provision in effect, but the repeal of the expiration was not set to take effect until after September 1, 2003 (oops). So the disclosure requirement expired on that date, and the Finance Commission later repealed the regulation that supplied the required disclosure form.

The end result is that the Texas disclosures on high-cost home loans have been unnecessary since September 1, 2003. Since Texas law and federal law contain virtually the same test for determining whether a loan is covered by their high-cost loan laws, it is important to note that a federal disclosure may still be required on such loans.