FINANCE COMMISSION OF TEXAS

LEGISLATIVE REPORT
PROPERTY TAX LENDING STUDY

August 2012

Prepared by
Office of Consumer Credit Commissioner

The Office of Consumer Credit Commissioner (OCCC) welcomed the opportunity to prepare this report and extends it appreciation to those industry stakeholders, consumer advocates, trade associations, and agency staff members who contributed to the development of the report and analysis of data and findings contained within.

The OCCC would like to thank Dr. Lloyd Potter, Texas State Demographer[a], for his assistance in developing the methodology used to conduct the study. His experience and expertise were valuable resources for the OCCC and the Finance Commission of Texas, and helped shape an appropriate survey instrument for this study.

Questions regarding the study or its findings may be directed to the OCCC by contacting us at 512-936-7652 or info@occc.state.tx.us.

Consumer Credit Commissioner

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[a] The Office of the State Demographer provides socioeconomic and demographic data to be used by legislators and state and local policy makers in their efforts to provide state services and to improve the lives of Texans. Dr. Potter was appointed as the State Demographer in May 2010, and also serves as the director of the Texas State Data Center, University of Texas at San Antonio.

Summary of Findings

Senate Bill 762, Acts of the 82nd Legislature, Regular Session, 2011, mandated that the Finance Commission of Texas (Finance Commission) study the fees, costs, interest, and other expenses charged to property owners by property tax lenders in conjunction with the transfer of property tax liens and the payoff of loans secured by property tax liens. The Finance Commission has collected and analyzed current and historical data in an effort to provide a clear picture of the costs of property tax loans.

The report provides an overview of the property tax lending industry in Texas and discusses the findings and methodology of the study of the fees, costs, and charges to borrowers associated with property tax loans. A summary of the study findings related to the types and costs of fees charged to property tax loan borrowers in connection with property tax loans is provided below.

Trends Identified CY2008 to CY2011	**Data Provided by Industry Participants via Questionnaire**	
• 5.75% growth in number of loans made • 87.77% increase in total dollar value of loans made • 77.57% increase in average loan amount • Foreclosures by property tax lenders increased from 99 in CY2008 to 204 during CY2011 • Foreclosure rates by property tax lenders increased from of 1 out of 166 properties for CY2008 to 1 out of 150 in CY2011, as based on the number of year-end receivables	• 85.59% of 2011 transfers involved residential properties	*Avg. Transfer Amount* $8,809.77 *Avg. Closing Costs* $865.52 *Avg. Interest Rate* 14.37%
	• 14.41% of 2011 transfers involved commercial properties	*Avg. Transfer Amount* $35,006.25 *Avg. Closing Costs* $1,545.77 *Avg. Interest Rate* 14.20%

Loan Characteristics	**Data Collected through OCCC Examination & Supervision Activities**	
Questionnaire-Based Results • Interest rates for both commercial and residential properties are at a 4-year low • Residential closing costs are at a 4-year low for both dollar amounts and percentages of tax lien transfer amounts • Commercial closing costs are at a 4-year low as a percentage of tax lien transfer amounts	• 99.36% of loans heading towards foreclosure had additional servicing fees averaging $2,384.91 • 92.21% of loans with extreme delinquency[c] had additional servicing fees averaging $923.92 • 61.64% of loans *without* extreme delinquency had additional servicing fees averaging $274.16	Historical figures presented in these bullet items include charges that are no longer authorized as of September 1, 2011. Current limitations on servicing fees will impact costs going forward.
Survey-Based Results • 62.28% of borrowers had a pre-existing mortgage • Of the 27.78% of surveyed property tax loans that were paid in full, 43.05% were paid by a mortgage company[b]	• Largest expense was foreclosure costs	Average: $1,544.22 Median: $1,200[d]
	• Most common fees assessed were internal collection fees	Affected 50.64% of accounts without extreme delinquency

Table 1: Summary of Property Tax Lien Lending Report, 2012.

[b] 130 of 302 sampled property tax loans that were paid in full were paid by a mortgage company
[c] For this study, extreme delinquency is classified as contractual delinquency of 90+ days
[d] Figure includes active loans where additional fees may be assessed

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Components of this Report:

Introduction

This report provides an overview of the property tax lending industry in Texas as well as the findings and methodology of the study of the fees, costs, and charges to borrowers associated with property tax loans.

Senate Bill 762, Acts of the 82nd Legislature, Regular Session, 2011, required the Finance Commission to study the fees, costs, interest, and other expenses charged to property owners by property tax lenders in conjunction with the transfer of property tax liens and the payoff of loans secured by property tax liens. The Finance Commission has collected and analyzed current and historical data to provide an understanding of the types and costs of fees charged to property tax loan borrowers in connection with obtaining the loan and after closing.

Study findings provide details of allowable charges and, more specifically, the actual occurrence of charges incurred by the borrowers. Through examination of actual loans made, this study classifies the costs associated with property tax loans characterized by the paying habits of actual borrowers (non-problem, problem, and foreclosure loans).

This report is divided into four sections:

- An overview of the industry, including the purpose and growth of property tax loans.
- A background of regulatory requirements, transaction details, and evolution of allowable costs.
- The results of the data collection for the questionnaire and survey administered for this study.
- A summary of findings and recommendations for future regulatory activities.

Industry Overview

While users of loans described in this study possess diverse characteristics, the purpose of each loan was for payment of property taxes owed on the property. Common types of property subject to property tax loans included in this study are shown in Table 2.

Real Property Category A	***Single-Family Residential*** Category A property includes single-family residential improvements and land on which they are situated. Typically, Category A properties are single-family homes on tracts of land or platted lots. They may or may not be within the city limits or in close proximity to a city. Even large tracts of land should be classified as Category A property when the use is residential. The use is residential when the land is primarily to enhance the enjoyment of the residence. Townhouses, condominiums, row houses and owner occupied duplexes are included in Category A. Mobile homes located on land owned by the occupant are classified as Category A property.[1]
Real Property Category F	***Commercial*** Category F property includes land and improvements associated with businesses that sell goods or services to the general public. Some examples of commercial businesses are: wholesale and retail stores, shopping centers, office buildings, restaurants, hotels and motels, gas stations, parking garages and lots, auto dealers, repair shops, finance companies, insurance companies, savings and loan associations, banks, credit unions, clinics, nursing homes, hospitals, marinas, bowling alleys, golf courses and mobile home parks.[2]

Table 2: Classifications of most common properties subject to property tax loans, which are included in the Property Tax Lender Study, 2012. Additional, less-common property types were also examined.

Certain lenders in this industry operate within a niche market segment and make loans for delinquent property taxes on specific types of properties, while other lenders make loans regardless of property type. The underwriting standards tend to differ as well. Not all lenders use traditional methods such as recording and verifying the income or reviewing the credit history of the perspective borrower. Data was collected as part of the study to classify the percentage of borrowers reporting their income during the application process.

Fee Types

Internal Administrative Fees: Fees for providing a payoff statement, prepayment penalty fees, (commercial properties only), document copy fees, release-of-lien fees, and loan balance information fees.

Internal Collection Fees: Late payment fees and non-sufficient funds fees.

Other Fees no longer permissible under SB 762. Examples include internal demand letters, 90-day mortgage notice fees, loan modification fees with no new taxes advanced, and payment processing fees.

Third-Party Bankruptcy Costs & Fees: Attorney fees related to bankruptcy filings, and court costs related to bankruptcy filings.

Third-Party Foreclosure Costs and Fees: Attorney fees related to foreclosure suit under Chapter 33, Texas Tax Code, attorney fees related to Rule 736 foreclosures, and court costs related to foreclosures.

Third-Party Other Costs and Fees: Recording fees for loan modification, abstract and title examination fees, and collateral protection insurance costs.

Definitions

In this study, the following terms are used and defined as follows:

Closing Costs: Costs incurred by a property tax lender from the time of application through the time of closing.

Commercial Property: Non-Residential Property Tax Loans.

> *Loans for properties that are not classified as* Category *A or Category E by the Texas Property Tax Assistance Property Classification Guide published by the Comptroller of Public Accounts.*

Non-owner Occupied: Property not owned and used by the property owner for personal, family, or household purposes.

Owner Occupied Property: Residential property owned and used by the property owner for personal, family, or household purposes.

Questionnaire: Survey required from property tax lenders included as Appendix J of the 2012 Property Tax Lender Annual Report.

Residential Property: Residential Property Tax Loans.

> *Category A (*Real *Property: Single-Family Residential), and*

> *Homesteads designated as Category E (Real Property: Farm and Ranch Improvements) by the Texas Property Tax Assistance Property Classification Guide published by the Texas Comptroller of Public Accounts.*

Sampling Frames: Predetermined criteria for conducting the survey. For this report, the sampling frames are:

> *Non-Problem Loan: A property tax lien loan that has never been at least 90 consecutive days past due and that has never been in bankruptcy.*

> *Problem Loan: A property tax lien loan that has at any point become at least 90 days delinquent or has been in bankruptcy.*

> *Foreclosure Loan: A property tax lien loan in which the property tax lender has posted a notice of sale on the underlying property.*

Servicing Fees: Charges assessed to property tax borrowers after closing and generally not subject to negotiation.

Survey: Study conducted by OCCC examination staff from February 13, 2012, to May 12, 2012.

Total Tax Lien Transfer Amount: The total amount of money paid to a taxing unit by the property tax lender that includes taxes, interest, penalties, and collections costs.

Regulatory Background

On January 1st of each year, a tax lien is attached to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property, whether or not the actual taxes are imposed in the year the lien attaches. The lien exists in favor of each taxing unit having power to tax the property. A lien against the real property is automatic and is perfected without any further action by the taxing unit. A tax lien on real property tax takes priority over a homestead interest in the property and virtually all other liens or encumbrances on the property.

Fees Assessed by Tax Collector

In the collection of delinquent property taxes, a taxing unit can assess, charge, and collect regular penalties, interest, and collection penalties. By law, property taxes are considered due upon receipt of the tax bill. On February 1st, penalty and interest charges begin accumulating on any delinquent taxes.

Regular penalty charges are established by law[3] and may be as high as 12% of the amount of the tax. On February 1st of the year that the taxes are due, a taxing unit may begin assessing a penalty of 6% of the amount of the tax. If a property owner does not pay the tax during February, the taxing unit can assess an additional penalty of 1% of the tax amount for each additional month the taxes remain delinquent. On July 1st of the year the taxes are due, a total penalty of 12% of the amount of the delinquent tax is due, regardless of the number of months the tax has been delinquent.

A delinquent tax accrues interest at a rate of 1% for each month or portion of a month that the tax remains unpaid. Interest payable under this section is to compensate the taxing unit for revenue lost because of the delinquency. A delinquent tax continues to accrue interest under this subsection as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered.[4] Therefore, the rate of interest is 12% per annum.

Private attorneys hired by taxing units to collect delinquent accounts can charge the property owners an additional penalty to cover their collection costs. Based upon published information from taxing units, collection penalties are usually 15% to 20% of the amount of the total taxes, regular penalties, and interest. Table 3 illustrates the assessment of regular penalties, interest, and collection penalties for delinquent taxes.

Regular Penalty, Interest, and Collection Penalties for Delinquent Taxes

On the first of each month:	Regular Penalty	Interest	Collection Penalties	Total Amount Due if Paid in Full in Respective Month
February	6%	1%		7%
March	7%	2%		9%
April	8%	3%		11%
May	9%	4%		13%
June	10%	5%		15%
July	12%	6%	15 to 20%	35.70% to 41.6%
August		7%	15 to 20%	36.85% to 42.80%
September		8%	15 to 20%	38% to 44%
October		9%	15 to 20%	39.15% to 45.20%
November		10%	15 to 20%	40.30% to 46.40%
December		11%	15 to 20%	41.45% to 47.60%
January of the following year		12%	15 to 20%	42.60% to 48.80%

Table 3: Assessment of regular penalties, interest, and collection penalties for delinquent taxes.

To further illustrate this model, Table 4 explains the amount of regular penalties, interest and collection penalties that would accumulate on an $8,000 delinquent property tax owed to a taxing unit on January 1st of a given year. The illustration assumes that the property owner does not pay any of the tax owed, that the regular penalties, interest, and collection penalties will accrue on the full tax bill amount, and that collection penalties are 20% of the gross amount owed for the taxes, regular penalties, and interest. Actual collection penalties charged by a taxing unit vary and may be lower than the amount shown below.

Amount of Regular Penalties, Interest, and Collection Penalties for an $8,000.00 Tax Bill				
On the first of each month	**Regular Penalty (a)**	**Interest (b)**	**Collection Penalties (c)**	**Total Amount Due (a+b+c)**
January 1st - Original Tax Bill Amount	$ 0.00	$ 0.00	$ 0.00	$ 8,000.00
February	$480.00	$80.00	$ 0.00	$ 8,560.00
March	$ 80.00	$80.00	$ 0.00	$ 8,720.00
April	$ 80.00	$80.00	$ 0.00	$ 8,880.00
May	$ 80.00	$80.00	$ 0.00	$ 9,040.00
June	$ 80.00	$80.00	$ 0.00	$ 9,200.00
July	$160.00	$80.00	$1,888.00	$11,328.00
August	$ 0.00	$80.00	$16.00	$11,424.00
September	$ 0.00	$80.00	$16.00	$11,520.00
October	$ 0.00	$80.00	$16.00	$11,616.00
November	$ 0.00	$80.00	$16.00	$11,712.00
December	$ 0.00	$80.00	$16.00	$11,808.00
January of the following year	$ 0.00	$80.00	$16.00	$11,904.00

Table 4: Amount of regular penalties, interest, and collection penalties for an $8,000 tax bill.

Available Payment Options for Paying Taxes to a Taxing Unit

Typically, most tax assessor-collectors send their tax bills to the property owner by October 1st of the preceding year for which the taxes are due.[5] For example, on October 1, 2012, a tax assessor-collector will send the tax bill to the property owner for taxes that are due on January 1, 2013. If the property owner determines that they will be unable to pay the taxes in one lump sum before the date due, the property owner should contact the local tax assessor-collector to determine what payment options are available.

The available payment options on a local basis may include:

- Discounts: Discounts may be offered if property owner remits their taxes early.
- Split payment of taxes: A property owner may be allowed to pay at least half the taxes owed by November 30th of the preceding year and the remainder by June 30th of the

year in which the taxes are due without incurring penalties.

- Partial payment: Partial payment of property taxes may be allowed.
- Escrow agreements: Escrow agreements may be formed for a special year-round account.
- Work out contracts: Certain taxpayers may be allowed to perform certain duties in lieu of paying property taxes.[6]

Most of the available payment options shown above are not required by law; therefore, some or all of these options may not be available to the property owner. Specific options that may be available to a taxpayer are further discussed in the following paragraphs.

Split Payment of Taxes

If approved by the governing body of a taxing unit, the tax collector may allow property owners to pay their taxes in two installments, without incurring penalties or interest, if both payments are made timely. The first installment must be paid before December 1st of preceding year before the taxes are due and must represent at least one-half of the taxes owed. The second installment must be paid by July 1st of the following year (the year in which the taxes are due).[7]

For example, a property owner wishing to make split payments for taxes due on January 1, 2013, must pay at least one-half of the taxes on or before November 30, 2012, and then pay the remaining balance due before July 1, 2013.

If a tax collector collects the taxes for multiple taxing units, the split payment of taxes option may not be available for all of the taxing units, if any.

Installment Payments of Certain Homestead Taxes[8]

If the subject property is the homestead residence of an individual who is disabled or at least 65 years of age and qualifies for the exemption, the taxing unit must allow the individual the option to pay the taxes in four installments. To obtain this payment plan, the property owner must:

1. request the payment option;
2. pay 25% of the taxes due on the property before the delinquency date of the taxes; and
3. provide written notice to the taxing unit that the person will pay the remaining taxes in installments.

The property owner must pay the remaining taxes in three equal installments that are due before:

1. April 1st of the year that the taxes are due;
2. June 1st of the year that the taxes are due; and
3. August 1st of the year that the taxes are due.

If the property owner fails to make one of the three remaining equal payments before the applicable date, the unpaid amount is delinquent and incurs a penalty of 6% and interest at a rate of 12% per annum.

Installment Payment Plan

The tax collector for a taxing unit may enter into an agreement with a person delinquent in the payment of the tax for payment of the tax, penalties, and interest in installments. The agreement must be in writing and may not extend for a period of more than 36 months.[9] Interest and penalties described above accrue on the unpaid balance during the period of the agreement.

Escrow Accounts

Although not required by law, a tax collector for a taxing unit may enter into a contract with a property owner under which the property owner deposits money into an escrow account maintained by the collector to provide for the payment of property taxes.[10]

Property Tax Loan

Section 32.06(a-2) of the Texas Tax Code permits a property owner to authorize a third party to pay the real property owner's property tax in exchange for a tax lien on the property which is transferred to the third party from the taxing unit(s). This authorized, private third party pays the taxes of another and is referred to as a "property tax lender" or a "transferee." The loan that secures the transfer of a tax lien, reasonable closing costs, and interest is called a "property tax loan."

Section 351.002(2) of the Texas Finance Code defines a "property tax loan" as:

"an advance of money:

(A) in connection with a transfer of lien under Section 32.06, Tax Code, or a contract under Section 32.065, Tax Code;

(B) in connection with which the person making the transfer arranges for the payment, with a property owner's written consent, of property taxes and related closing costs on behalf of the property owner in accordance with Section 32.06, Tax Code; and

(C) that is secured by a special lien against property transferred from a taxing unit to the property tax lender and which may be further secured by the lien or security interest created by a deed of trust, security deed, or other security instrument."

Comparison of Payment Options for Property Owners with Delinquent Property Taxes

First lienholders may pay the delinquent property taxes. The cost to the property owner will vary depending upon the language of the deed of trust or security agreement. Table 5, on the following page, analyzes other payment options, assuming the first lienholder does not pay the delinquent property taxes. This table compares property tax loans made in either February or July of the year in which the property taxes are due to other payment options including:

1. remaining delinquent with the taxing units;
2. paying property taxes using a credit card; and
3. entering into a 36-month installment payment plan with the taxing unit.

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A Comparison of Payment Options for Property Owners with Delinquent Property Taxes

Payment Options		Original Tax Bill	Amt of Taxing Unit's Fees[2]	Other Fees	Contract Rate	Term (Months)	Average Monthly Pmt Amt	Annual Financial Impact to Property Owner[1] 2012	2013	2014	2015	2016	2017	Total Financial Impact
Tax Lien Transfer	February	$8,000	$560	$786	14.37%	60	$219	$2,193	$2,631	$2,631	$2,631	$2,631	$439	$13,156
	July	$8,000	$3,328	$1,112	14.37%	60	$292	$1,459	$3,502	$3,502	$3,502	$3,502	$2,043	$17,511
Remain Delinquent with Taxing Unit	February	$8,000	$8,608	$0.00	12.00%	60	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$16,608
	July	$8,000	$9,088	$0.00	12.00%	66	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$17,088
Taxing Unit Payment Plan	February	$8,000	$2,012	$0.00	12.00%	36	$237	$4,084	$2,846	$2,846	$474.30			$10,012
	July	$8,000	$4,652	$0.00	12.00%	36	$297	$3,749	$3,561	$3,561	$1,781			$12,652
Credit Card	February	$8,000	$560	$214	17.90%	60	$222	$2,223	$2,668	$2,668	$2,668	$2,668	$445	$13,339
	July	$8,000	$3,328	$283	17.90%	60	$294	$1,471	$3,531	$3,531	$3,531	$3,531	$2,060	$17,653

[1] Amounts rounded to nearest dollar; rounding differences may account for incremental variances in calculations
[2] Regular Penalties, Interest, and Collection Penalties

Table 5: A comparison of payment options ranging from tax lien transfer to the use of credit cards to pay delinquent property taxes. Other options may be available including the mortgagee paying the amount of the delinquent property taxes.

Payment Option Assumptions

With the exception of those scenarios presented under "Remain Delinquent with Taxing Unit", all payment scenarios assume that the property owner will pay all scheduled payments on the due date, for the amount scheduled, and incur no other servicing costs (late charges, foreclosure costs, bankruptcy fees, and other fees).

Tax Lien Transfer (February)	Tax Lien Transfer (July)	Remain Delinquent with Taxing Unit	Taxing Unit Payment Plan*	Credit Cards**
• Transfer of tax lien occurs in February • First payment is due in March • Contact rate is based on industry average • Other fees are based on industry average closing costs for amount of tax lien transfer amount	• Transfer of tax lien occurs in July • First payment is due in August • Contract rate is based on industry average • Other fees are based on industry average closing costs for amount of tax lien transfer amount	• No payments are made to taxing unit • Regular penalties, interest and collection penalties are recalculated every month • 12% cap on regular penalties • 1% interest applied each month • 20% collection penalty start in July 2012 • Collection penalty due July 2012 is based upon amount of original tax bill and accrued penalties and interest • Subsequent collection penalties are based upon amounts of new interest charges assessed per month	• Payment plan is implemented in February • 20% down payment in February (original tax bill, accrued regular penalties and interest) • First payment is due in March • 3-year loan term equals 36 months • First payment made in March or August 2012	• Same monthly payments are made to repay the debt in 60 months • 17.9% interest rate • 2.5% payment processing fee applied to property tax payment

**As provided by TPTLA*

***Assumes borrower has met credit score required to obtain the rate indicated*

Table 6: Payment assumptions used to illustrate payment options provided in Table 5.

Legislative History

In 1933, during the Great Depression, property tax lien transfers were first permitted by law (Vernon's ANN. TX. CIV. STAT., Article 7345a). The statutory framework of the law remained the same and was not revised for forty-six years.

In 1979, the Texas Legislature codified the previous law into Section 32.06 of the Texas Tax Code. From 1933 to August 31, 1995, most property tax lien transfers involved transfers from taxing units to the property tax owner's family members or employers. In 1995, the Texas Legislature made significant changes to Section 32.06 of the Texas Tax Code and added Section 32.065 to make property tax transfers more viable. These changes included:

1. permitting non-judicial foreclosures under Section 51.002 of the Texas Property Code instead of only judicial foreclosures required under the previous laws;
2. increasing the interest rate permitted on property tax lien transfers from 10% per annum to 18% per annum; and
3. allowing property tax lien transferees to foreclose within one year if the contract between the owner of the property and the transferee contained a provision providing this authority.

In 2005, the 79th Texas Legislature made several additional changes to Sections 32.06 and 32.065 of the Texas Tax Code. These changes included:

1. limiting the transfer of a tax lien unless the taxes:

   a. were delinquent at the time of payment by the property tax lender; or

   b. were not delinquent at the time of payment; however, the property was not subject to a recorded mortgage lien;

2. permitting reasonable closing costs on a property tax loan;
3. permitting a property tax lender to assess, charge, and collect a reasonable fee for a payoff statement after the initial payment statement was provided;
4. changing the right of redemption on a foreclosed property to be repurchased by the borrower or mortgage servicer as follows:

   a. if the property was a residential homestead of the owner, 125% of the purchase price during the first year of the redemption period beginning from date the foreclosure deed is recorded;

   b. if the property was a residential homestead of the owner, 150% of the purchase price during the second year of the redemption period beginning from date the foreclosure deed is recorded;

   c. if the property was commercial, the right of redemption was limited to 180 days after the date on which the purchaser's deed was filed in the real property records; and

5. requiring the property tax lender to provide written notice to the holders of all recorded liens on the property before foreclosure.

In 2007, the 80th Texas Legislature enacted the Property Tax Lender License Act that created Chapter 351 of the Texas Finance Code. For the first time, property tax lenders were required to obtain a license from the OCCC. The Texas Legislature also enacted additional consumer protections as part of Senate Bill 1520.

In addition to previous authorized transfers of tax liens, the 80th Legislature allowed a property tax borrower the ability to authorize a transfer of a tax lien for current taxes if the property owner had executed and recorded a tax lien transfer for one or more prior years on the same property. Based upon this change, a property tax lender could transfer a tax lien with a sworn authorization from the property owner if:

1. taxes were delinquent at the time of payment; or
2. taxes that were not delinquent at the time of payment but:

   a. the property was not subject to a recorded mortgage lien; or

b. a tax lien transfer authorized by the property owner had been executed and recorded for one or more prior years on the same property and the property owner had executed an authorization consenting to a transfer of the tax liens for both the taxes on the property that were not delinquent and taxes on the property that were delinquent.

The additional changes required the Finance Commission to:

1. prescribe the form and content of a disclosure statement to be provided to a property owner before the execution of a tax lien transfer;
2. adopt rules relating to the reasonableness of closing costs, fees, and other charges before the execution of a property tax loan;
3. establish the reasonable fee for filing or recording a release-of-lien on a property tax loan; and
4. establish the reasonable fee for a payoff statement that is requested after an initial payoff statement is provided.

Effective January 3, 2008, the Finance Commission promulgated the content and form of the disclosure statement. The disclosure statement, required by Section 32.06(a-4)(1) of the Texas Tax Code, contains numerous disclosures relating to the terms, limitations, restrictions, and other information for a property tax loan. One of the key statements on the disclosure form advises the property tax loan borrower that the property tax lender is permitted to and may assess reasonable closing costs and interest not to exceed 18%.

In addition to the disclosure statement, the Finance Commission established the maximum fees that can be charged for reasonable closing costs, recording a release-of-lien, and providing a payoff statement for a property tax loan (§§32.06(a-4)(2), 32.06(b), and 32.06(f-3), Texas Tax Code).

In 2009, the Texas Legislature required the Finance Commission to promulgate standardized forms used in a property tax loan (sworn document and a certified statement).

In 2011, the 82nd Texas Legislature enacted Senate Bill 762 that limited the type and amount of servicing (post-closing) fees that a property tax lender could assess, charge, or collect.[11]

Property Tax Loan Documentation

Today, to properly document a property tax loan, a property tax lender must:

1. before the execution of a tax lien transfer, provide the property owner a written disclosure statement that explains the limitations, restrictions, and certain other information pertinent to a tax lien transfer;
2. obtain a sworn document, in writing, authorizing the transfer of the tax lien from the property tax borrower to the lender;
3. provide a copy of the sworn document obtained from the borrower to the taxing authority;
4. pay the applicable taxes, penalties, interest, and collection costs owed on the subject property;
5. obtain a certified statement of the transfer from the taxing authority attesting that all taxes, penalties, interest, and collection costs on the subject property have been paid by the lender;
6. not later than the 10th business day after the date the certified statement is received by the property tax lender, send a copy of the sworn document, by certified mail, to any mortgage servicer and holder of a recorded first lien encumbering the property;
7. for loans with interest rates greater than 6% or have closing costs, have the property tax borrower sign a promissory note that contains:
    a. the promise to pay;
    b. the note rate (interest rate); and
    c. the repayment terms.
8. have the property tax borrower sign a deed of trust, contract, security deed, or other

security instrument if additional closing costs are included in the loan;

9. provide the borrower a final itemization of the actual fees, points, interest, costs and charges that were charged at closing;
10. if the property is residential property owned and used by the property owner for personal, family, or household use, provide the borrower a right of rescission as described by Regulation Z, Truth in Lending Act, 12 C.F.R. §226.2; and
11. record the deed of trust or other security instrument and certified statement obtained from the taxing authority in deed records of each county in which the property encumbered by the lien is recorded.

Permissible Fees on a Property Tax Loan

The permissible fees allowed on a property tax loan are reasonable closing costs, tax-lien-release fee, payoff or statement of payments fee, and servicing fees. These fees will be further described in the following sections of the study.

Closing Costs

As part of Senate Bill 1520, 80th Texas Legislature required the Finance Commission to adopt rules relating to the reasonableness of closing costs and other charges before the execution of a property tax loan.

In defining "closing costs" the Finance Commission indicated that the closing costs were limited to "costs incurred by a property tax lender from the time of application through the time of closing" and sets limitations as to the total amounts of closing costs. The maximum reasonable closing costs are tied to the total amount of money paid by the property tax lender to the taxing unit(s) to secure the transfer of tax lien and is referred to as the "total tax lien payment amount." The maximum reasonable closing costs applies only to property tax loans that are secured by property designated as "Category A (Real Property: Single-Family Residential)" and homesteads designated as "Category E (Real Property: Farm and Ranch Improvements)" by the *Texas Property Tax Assistance Property Classification Guide*, which is published by the Texas Comptroller of Public Accounts. Examples of the maximum amounts of reasonable closing costs and the types of closings costs that can be assessed, and the description of those costs, are provided in Tables 7 and 8, shown below and on the following page.

Maximum Reasonable Closing Costs for Property Tax Loans	
Total Tax Lien Payment Amount	**Maximum Reasonable Closing Fee**
< $2,500	$1,000
$2,500 TO $4,999.99	$1,250
$5,000 TO $7499.99	$1,500
$7,500 TO $9,999.99	$1,750
> $10,000	$2,000 or 10% of the total tax lien payment amount, whichever is greater.

Table 7: Maximum reasonable closing costs as established within the Texas Administrative Code (7 TAC, §89.601)

Examples of Reasonable Closing Costs	
Type of Closing Cost	**Description of Closing Cost**
APPRAISAL FEE	Fee paid to a licensed real estate appraiser to determine the estimated market value of a house, condominium, commercial property, or other property.
INSPECTION FEE	Fee paid to determine the current physical condition of the property.
TITLE EXAMINATION FEE	Fee paid to examine all relevant records to confirm that the property tax borrower is the legal owner of the property and whether there are any liens or other claims outstanding against the property.
PROPERTY SURVEY FEE	Fee paid to a licensed surveyor to determine the boundary lines, rights of way, easements, and structures within or immediately surrounding the property.
FLOOD DETERMINATION FEE	Fee paid to determine whether the property is located in a flood zone.
DOCUMENT PREPARATION FEE	Fee paid to a licensed Texas attorney to prepare the loan and closing documents such as a promissory note and deed of trust.
CLOSING OR ESCROW FEE	Fee paid to a title company or escrow agent for its services in closing a loan on behalf of a lender.
TAX CERTIFICATE FEE	Fee paid to determine whether the taxes on a property have been paid for the current year and past several years.
CREDIT REPORT FEE	Fee paid to a consumer reporting agency to acquire a credit report. The credit report contains detailed information on a person's credit history experience with creditors and recent inquires including the name and date of the company making the inquiry.
COURIER FEE	Fee paid to a courier company to send the legal documents to the closing agent.

Table 8: Examples of Reasonable Closing Costs.

Tax Lien Release Fee

When a tax lien is released (the loan has been paid-in-full), the property tax lender shall file a release with the county clerk of each county in which the property encumbered by the lien is located for recordation by the clerk and shall send a copy to the collector. The property tax lender may charge a reasonable fee for filing the release-of-lien. Effective March 6, 2008, the Finance Commission promulgated 7 Texas Administrative Code §89.602 to establish the maximum release-of-lien fee and the regulation reads as follows:

"(a) Allowable fee components. Under Texas Tax Code, §32.06(b), a property tax lender may charge a property owner the following for filing the release:

(1) the actual cost charged by the county clerk for filing the release;

(2) the actual cost of attorney's fees paid to an outside attorney who is not an employee of the property tax lender for preparing the release; and

(3) an administrative fee not to exceed $35 for services related to filing provided by

the property tax lender (e.g., costs to mail or deliver release to county clerk or taxing unit(s)).

(b) Potential limitations on administrative fee. The administrative fee provided by subsection (a)(3) of this section may be limited by other law.

(c) Maximum aggregate fee. The maximum aggregate fee for all of the items provided in subsection (a) of this section shall not exceed $110."

Pay-off or Statement of Payments Fee

A property tax lender may charge a reasonable fee for a payoff statement that is requested after the initial payoff statement has been provided at no cost.[12] A property tax lender may charge a fee not to exceed $10 for providing each additional payoff statement after an initial payoff statement has been provided.[13]

Servicing Fees

A property tax lender may only assess, charge, or collect certain servicing fees on property tax loans. The servicing fees are limited to the fees shown in Table 9, on the following page.

Remainder of page intentionally left blank.

Authorized Servicing Fees	
Type of Servicing Cost	**Description of Servicing Costs**
RELEASE-OF-LIEN FEE	Fee for preparing and recording a release-of-lien in the deed records of each county in which the property is located. The release-of-lien fee is comprised of amounts paid to the county clerk's office, outside attorney, and amount paid to the property tax lender.
PAYOFF STATEMENT FEE	Fee paid to the property tax lender for preparing a statement that gives the amount necessary to pay off the loan.
CURRENT BALANCE STATEMENT FEE	Fee paid to the property tax lender for a statement of the current balance owed on the property tax loan.
FORECLOSURE FEES	Fees paid to a licensed Texas attorney, who is a not an employee of the property tax lender, for preparing the necessary legal documents to foreclose on a property tax loan lien.
BANKRUPTCY FEES	Fees paid to attorneys and court costs for services performed after the property owner files a voluntary bankruptcy petition.
COURT COST	Fees paid to a court for the filing of a lawsuit.
TITLE EXAMINATION FEE	Fee paid to examine all relevant records to confirm that the property tax borrower is the legal owner of the property and whether there are any liens or other claims outstanding against the property.
RETURN CHECK CHARGE	Processing fee paid to a property tax lender for a check that has been returned for non-sufficient funds (NSF).
COLLATERAL PROTECTION INSURANCE	Substitute insurance policy that covers losses to the property that is a result of a debtor's failure to provide evidence of insurance or failure to obtain or maintain insurance covering the collateral.
PREPAYMENT PENALTY (COMMERCIAL TRANSACTIONS ONLY)	Fee paid to a property tax lender because the borrower repaid the property tax loan prior to a specified period.
RECORDING FEE	Fee paid to a county clerk's office to record a lien against the property in the deed records.
COPY FEE	Fee paid to a property tax lender to provide copies of the loan documents and records.
LATE CHARGE	An interest charge for a late payment.

Table 9: Authorized servicing costs as defined within Senate Bill 762, 82nd Texas Legislature.

Foreclosure Processes

The largest and most costly of servicing fees are foreclosure costs. In Texas, a property tax lender may foreclose the lien on a property tax loan by either: (1) a judicial foreclosure or (2) a non-judicial foreclosure after the lender has obtained a court order for foreclosure under Rule 736 of the Texas Rules of Civil Procedure. [14]

Judicial Foreclosure

Under a judicial foreclosure, a property tax lender must file a lawsuit against the property owner. A judicial foreclosure, in most cases, takes longer than a non-judicial foreclosure under Rule 736. After a judicial hearing is conducted, a judge will decide whether to permit the foreclosure of the property. If the judge decides that the property tax lender has sufficient evidence to permit foreclosure, the court will issue a final judgment of foreclosure. This order indicates that the property may be sold at a public auction that is conducted by a sheriff or constable on the first Tuesday of the month. The sale must take place at the county courthouse in the county in which the land is located, or if the property is located in more than one county, the sale may be made at the courthouse in any county in which the property is located. The highest bidder at the foreclosure sale purchases the property subject to the right of redemption.

Non-Judicial Foreclosure

A non-judicial foreclosure requires numerous steps and notices. After default, the property tax lender must send, to the property owner and each holder of a recorded first lien on the property, a notice to cure the default by certified mail. The notice to cure the default must explain that the property owner is in default of the deed of trust or contract lien and give the debtor at least twenty (20) days to cure the default.

If the debtor does not cure the default, the property tax lender must send a “notice of intent to accelerate” and a “notice of acceleration” to the property owner and each holder of a recorded first lien on the property. Both notices must be sent by certified mail.

A notice of acceleration is a notice that advises the property owner and the holder of a recorded first lien that the entire balance of a property tax loan is due (payoff balance). After these notices have been sent and the property tax lender has verified that the property owner has not requested a deferral of taxes as authorized by Section 33.06 of the Texas Tax Code, the property tax lender must file an “Application for Order for Foreclosure under Texas Rules of Civil Procedure Rule 736” in the district court of the county where the real property is located. The clerk of the court will then issue a separate citation for each respondent named in the application (property owner and any lienholders) and any occupant of the property. Each citation states that any response to the application is due by the first Monday after the expiration of 38 days from the date the citation was placed in the custody of the U.S. Postal Service. The clerk of the court will send both the citation and application by first class and certified mail to each respondent.

If a response is filed in writing, the court must hold a hearing after reasonable notice to the parties; discovery is not permitted for this proceeding. At the hearing, the property tax lender has the burden of proof, through affidavits on file or evidence presented at the hearing, to establish the grounds for granting the order seeking foreclosure.

If no response is received by the court by the due date, the property tax lender may file a motion and proposed order to obtain a default order granting the foreclosure.

The court may issue an order granting or denying the application for foreclosure upon conclusion of the hearing or receipt of a request for default order. Even if a court grants the order, a property tax borrower may still prevent the foreclosure by obtaining a temporary restraining order or filing for bankruptcy.

Additionally, the property tax lender must provide notice to the holder of a recorded pre-existing lien at least 60 days before the date of the proposed foreclosure.

Upon receipt of the order, the property tax lender must send a “notice of sale” that must:

1. be filed with the county clerk in the county in which the property is located;

2. be mailed to the property tax borrower and any first lienholder and;

3. be posted at the county court where any sale would occur.

The "notice of sale" must allow for a minimum of 21 days between the filing date and the date of sale of the property. The foreclosure sale must take place on the first Tuesday of the month in which the sale is to occur, be conducted between 10 a.m. and 4 p.m., and be conducted at the county courthouse. If the first Tuesday of the month falls on a legal holiday, the sale is still to be conducted.

The trustee of the property will auction the property to the highest bidder. After the foreclosure sale, the trustee must issue a foreclosure deed to the purchaser of the property. If the property is sold for more than the amount owed on the property tax loan, the excess is deposited with the registry of the court; lienholders and the property tax borrower then may file an application with the court to obtain the excess proceeds. If the excess proceeds are not claimed after a specified period of time, they are forfeited to the state.

Property Redemption

Under both judicial and non-judicial foreclosures of a tax lien, the property owner or the mortgage servicer of a prior recorded lien may redeem the foreclosed property from the purchaser or the purchaser's successor.[15]

If the property was either the residence homestead of the owner or agricultural land, the right of redemption may be exercised on or before the second anniversary date on which the foreclosure deed was recorded.

The redemption price for the *first year* is currently comprised of:

- 125% of the purchase price,
- other costs permitted by Section 34.21 of the Texas Tax Code, and
- the legal judgment rate on that amount.

The redemption price for the *second year* is currently comprised of:

- 150% of the purchase price,
- other costs permitted by Section 34.21 of the Texas Tax Code, and
- the legal judgment rate on that amount.

If the property is commercial property, the right of redemption must be exercised not later than the 180th day after the foreclosure deed was recorded.

If a person redeems the property as permitted by law, the purchaser at the tax sale, or the purchaser's successor, shall deliver a property deed without warranty to the person redeeming the property. If the person who owned the property at the time of foreclosure redeems the property, all liens existing on the property at the time of the tax sale remain in effect to the extent not paid from the sale proceeds.

Data Collection & Analysis

Annual Report Analysis

Every year, property tax lenders are required to submit annual reports summarizing their lending activity for the previous year. Companies that fail to file reports are subject to administrative actions such as fines, license suspensions, and license revocations.

The information submitted by lenders is not audited or reviewed for accuracy by the OCCC; however, upon receipt of the information, the OCCC reviews it for reasonableness. The annual report analysis does not consider or account for the exclusion of information from businesses that failed to file by required deadlines and face penalties or businesses that have ceased operations during the calendar year (CY).

A licensing requirement for property tax lenders has been in place since CY2008, and annual reports have been submitted during the spring of each year. These annual report filings provide information on the preceding years' activity. The data collected is categorized into three groups: (1) Loans Made, (2) Loans Receivable, and (3) Loan Delinquency

Activity. Information for each of these categories is provided in the following narrative and data tables.

Loans Made

In 2012, data reported indicates a small decline in the number of loans made by property tax lenders from the previous calendar year. Property tax lenders made 12,772 loans in CY2011 in contrast to the 12,951 loans made in CY2010.

Although the number of loans made appears to have changed little, the dollar amount loaned and the average loan amount increased by 28.37% and 30.17% respectively from the CY2010 figures. This increase in average loan amounts continues an observed trend seen during each annual data collection analysis.

Loans Receivable

The reported dollar value of property tax loan receivables has grown 114.12% since data collection began in CY2008; however, currently, there has been a smaller change between reported amounts from CY2010 and CY2011.

Delinquency and Collections

Reported foreclosures by property tax lenders, while increasing, represent a small percentage of activity in relation to loan volume. The 204 foreclosed properties represent 1.6% of property tax loans made and 0.7% of loans receivable for CY2011.

Accounts that were 90 or more days delinquent at year-end increased 25.95% than CY2010 delinquencies. The dollar amount of delinquent accounts rose 33.35%, representing $64,934,185 in loans that were contractually more than 90 days delinquent.

Property tax lending data for CY2008 through CY2011 is presented in Table 10 on the following page.

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LOANS MADE	CY2008	CY2009	CY2010	CY2011
Property Tax Loans	12,078	13,703	12,951	12,772
Dollar Amount Loaned	$119,304,201	$151,588,701	174,508,567	$224,014,643
Average Loan Amount	$9,878	$11,062	13,475	$17,540
LOANS RECEIVABLE	**CY2008**	**CY2009**	**CY2010**	**CY2011**
Property Tax Loans	16,427	22,772	26,586	30,772
Amount Receivable	$160,564,789	$235,774,629	303,788,139	$343,805,373
Average Receivable	$9,774	$10,354	11,427	$11,173
DELINQUENCY & COLLECTIONS	**CY2008**	**CY2009**	**CY2010**	**CY2011**
Property Tax Lender Foreclosures	99	101	138	204
Balance Foreclosed	$1,460,007	$1,564,307	2,804,694	$2,595,549
Average Balance	$14,748	$15,488	20,324	$12,723
Property Sales				
Average Proceeds	$30,267	$22,659	28,536	$18,292
Delinquent 90+ Days	3,297	4,725	4,693	5,913
Loan Balances	$29,919,905	$43,644,020	48,693,123	$64,934,185
Number of companies reporting	**44**	**61**	**73**	**73**[e]

Table 10: Property Tax Lending Data CY2008 through CY2011

[e] As of August 1, 2012

Questionnaire Methodology

The data for the study was designed to be collected in two parts. The first part consisted of a questionnaire being distributed to the entire licensee base as an addendum to the annual report filing. Information included in the questionnaire was identified as being readily available on most lenders' information systems and could be compiled without too much intrusion upon the business and its operations. The benefits of using the questionnaire format was the ability to obtain a census of data while reducing the amount of resources expended on collection efforts.

Questionnaire Design

Loan information was collected from lender submitted data as part of the required annual report. The data encompassed average interest rates, closing costs, transfer amounts, other costs required to obtain a transfer, and designation of property type, all segmented by year. Annual report data is unaudited by the OCCC but checked for reasonableness as it is received.

Data reported from each licensee was then aggregated and compiled to analyze fee trends over time. Industry interest rate averages and relationships between closing costs and transfer amounts were specifically studied.

As of June 1, 2012, 66 of 76 corporate entities had sufficiently completed the additional questionnaire portion of the annual report. The following section represents valid data reported through the questionnaire portion of the study.

The chart shown in Figure 1 reflects the makeup of the total property tax loan population for each year. The majority of the property tax loans are made for residential properties. The biggest increase in loans made occurred from years CY2008 to CY2009. However, only data from the initial property tax lender licensing requirement date (March 1, 2008) was included. Detailed information on average loan amounts, costs, and interest rates are provided in Figures 2 through 11.

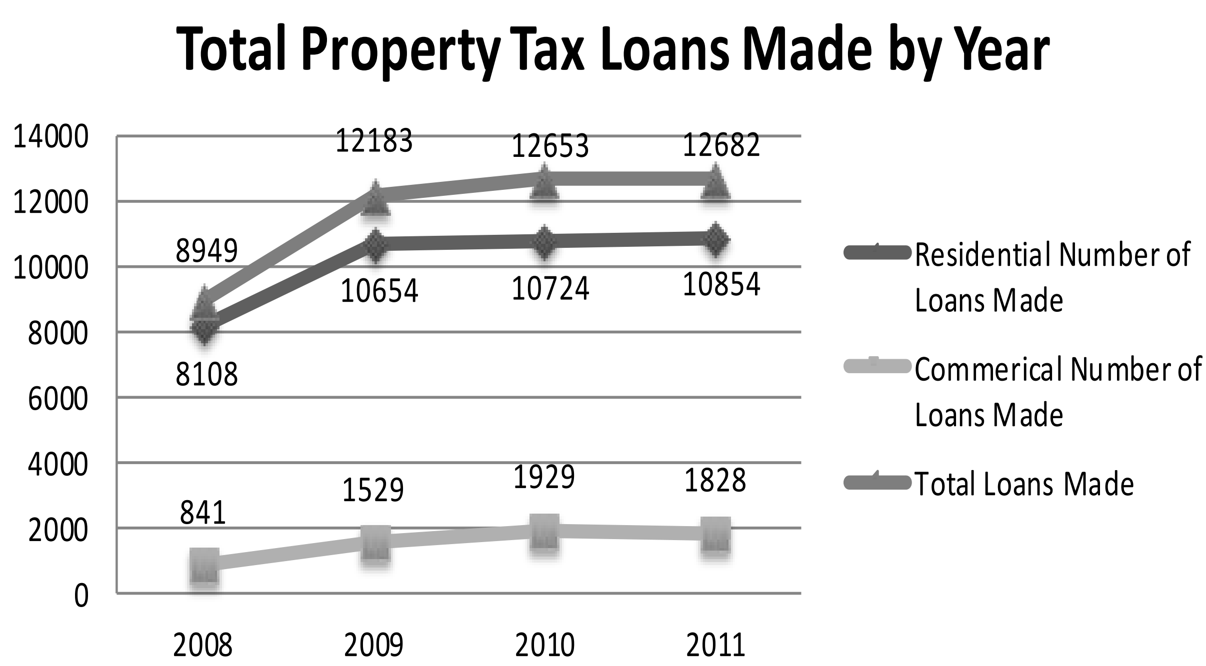

Figure 1: Total property tax loans made by year CY2008 (starting March 1, 2008) through CY2011.

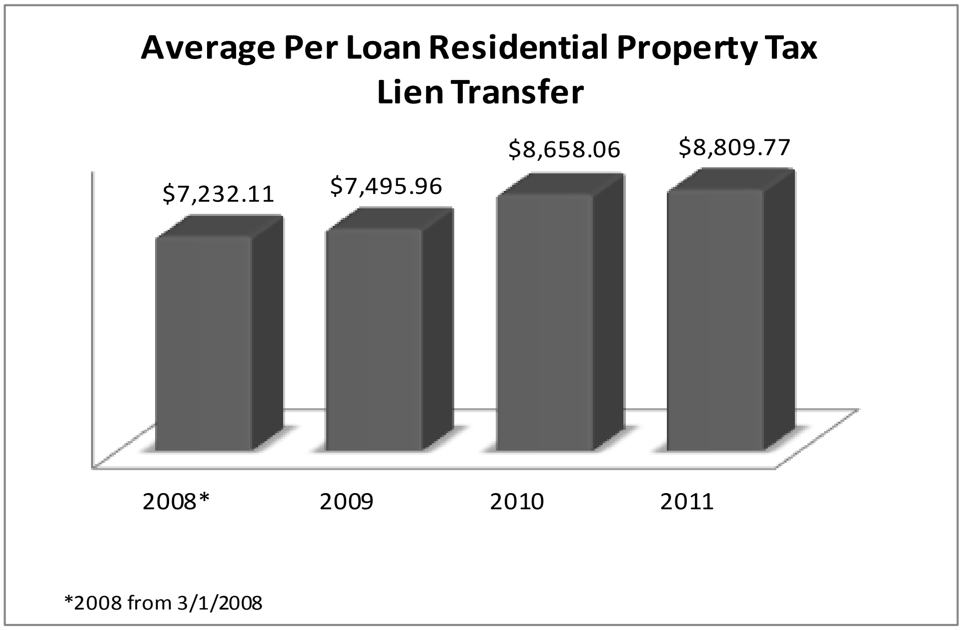

Figure 2: The average residential property tax lien transfer amount by calendar year. A property tax loan may include tax liens from multiple years in the same tax lien loan. The four-year upward trend appears nominal and may indicate only a yearly increase in taxable value.

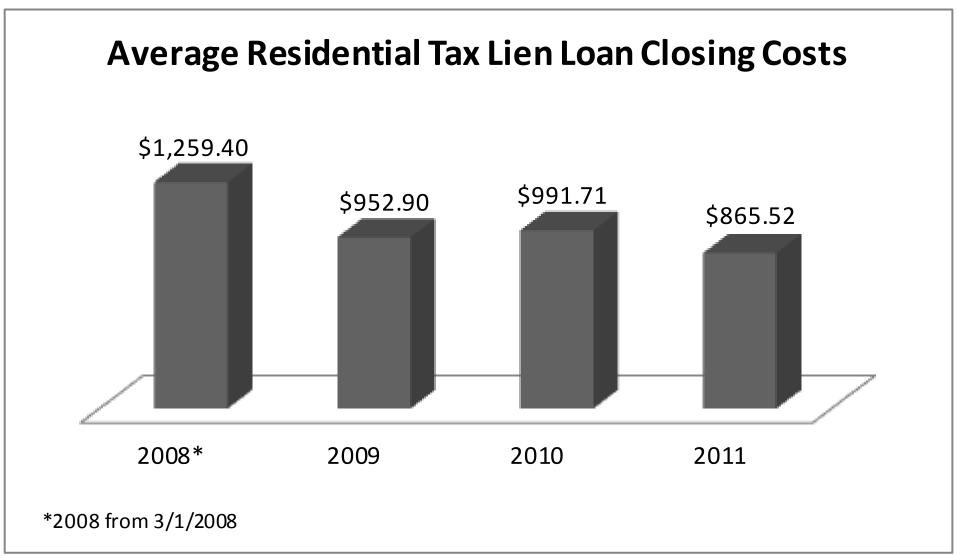

Figure 3: The average closing costs charged to a borrower in a property tax lien transfer for a residential property by calendar year. Closing costs have trended downward since CY2008; the current year represents the lowest level of closing costs since reporting began.

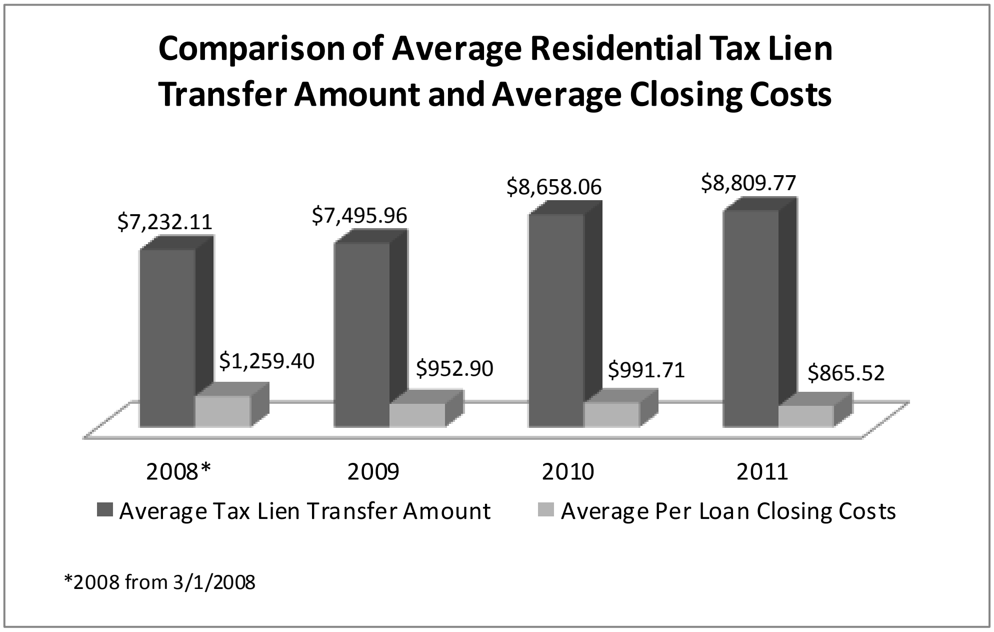

Figure 4: Comparison of average residential property tax lien transfer amount to the average tax lien loan closing costs for each calendar year. As the average residential tax lien transfer amount has increased, closing costs for those same loans have declined.

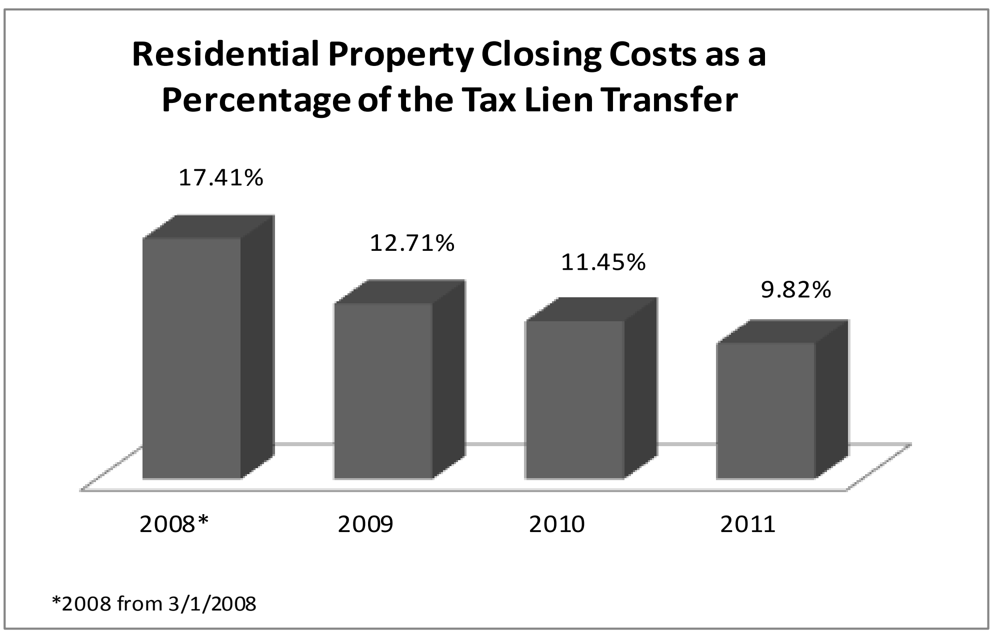

Figure 5: Relationship between the average residential tax lien transfer closing costs to the average tax lien transfer amount expressed as a percentage for each calendar year. The above further illustrates the shrinking of closing costs relative to the size of the tax lien transfer amount.

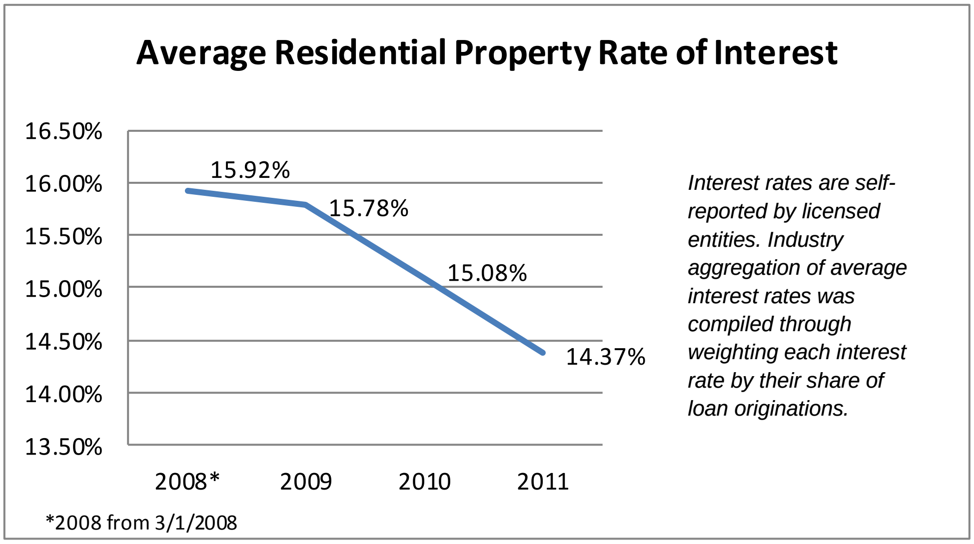

Figure 6: Average interest rate for residential property tax lien loans for each calendar year. Interest rates have declined on average for each year data has been reported.

Figure 7: Average commercial property tax lien transfer amount by calendar year. A property tax lien loan may include tax liens from multiple years in the same tax lien loan. The year-over-year percentage change increases in commercial loans continue to be higher than the changes in residential tax lien transfer amounts.

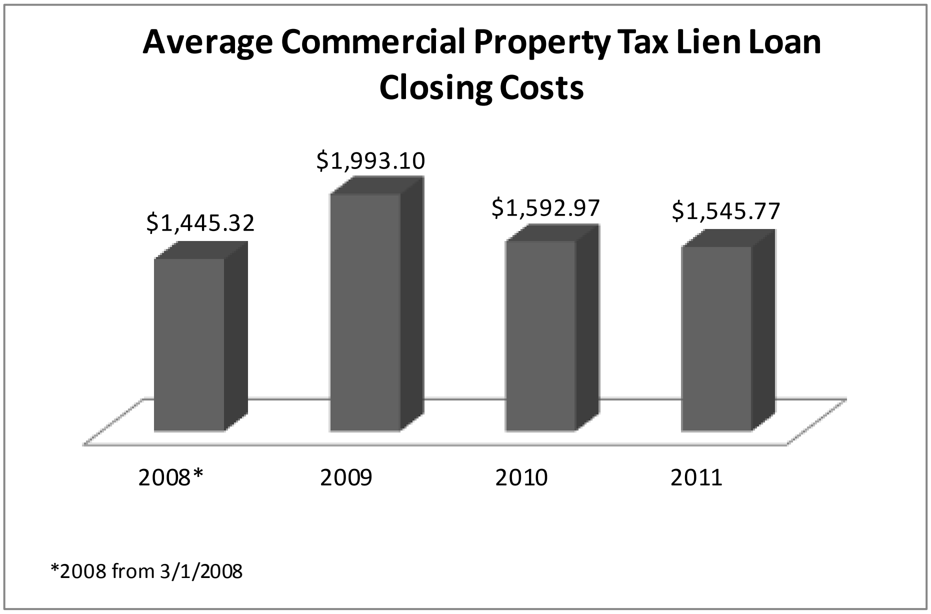

Figure 8: Average closing costs charged to a borrower in a property tax lien loan for a commercial property by calendar year. Although a sharp increase in closing costs for commercial properties occurred in 2009, following years have seen a decline. The fluctuation in commercial property transaction closing costs from CY2010 to CY2011 does not reflect the near 15% increase in the average tax lien transfer amount for the same period.

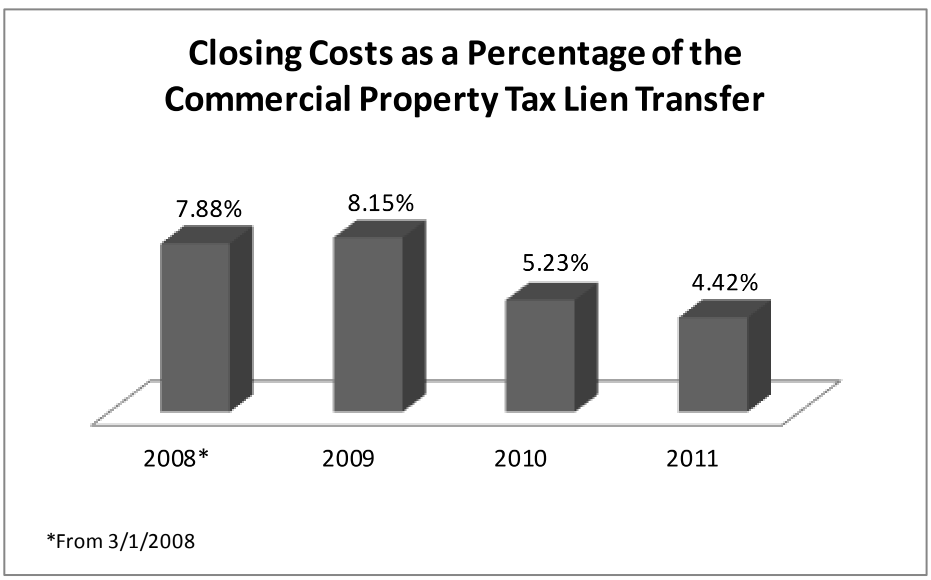

Figure 9: Relationship between the average commercial tax lien loan closing costs to the average tax lien transfer amount expressed as a percentage for each calendar year. The above illustrates the declining closing costs of obtaining a commercial property tax lien loan as a percentage of the transfer amount since CY2009. The most recent calendar year represented the lowest relationship between closing costs and transfer amounts in years data was reported.

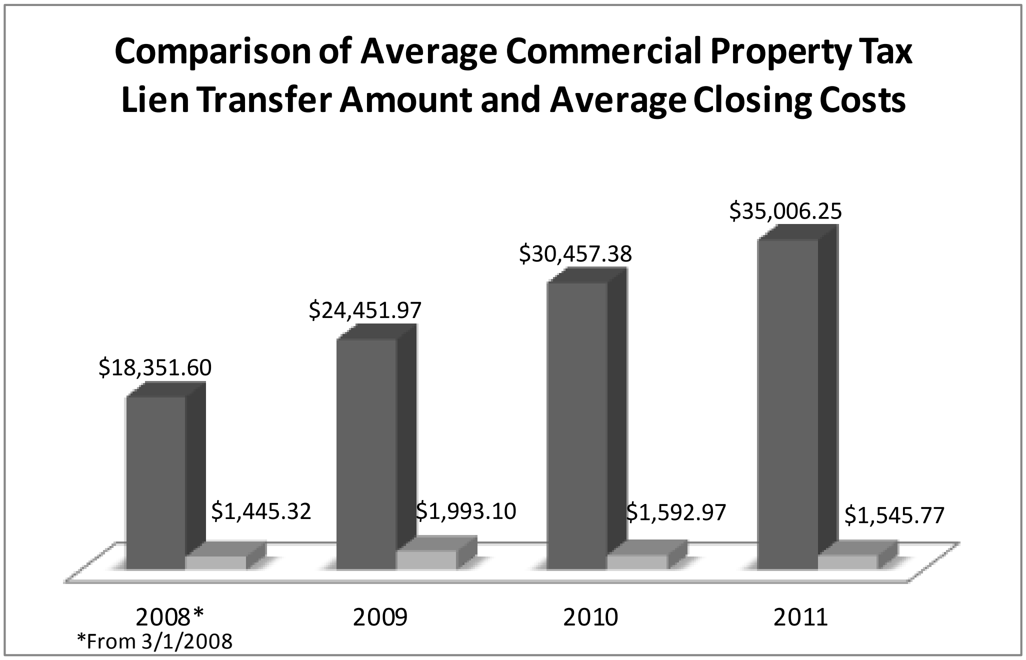

Figure 10: Comparison of average commercial property tax lien transfer amounts to the average tax lien loan closing costs for each year. The above illustrates the relationship in total dollars.

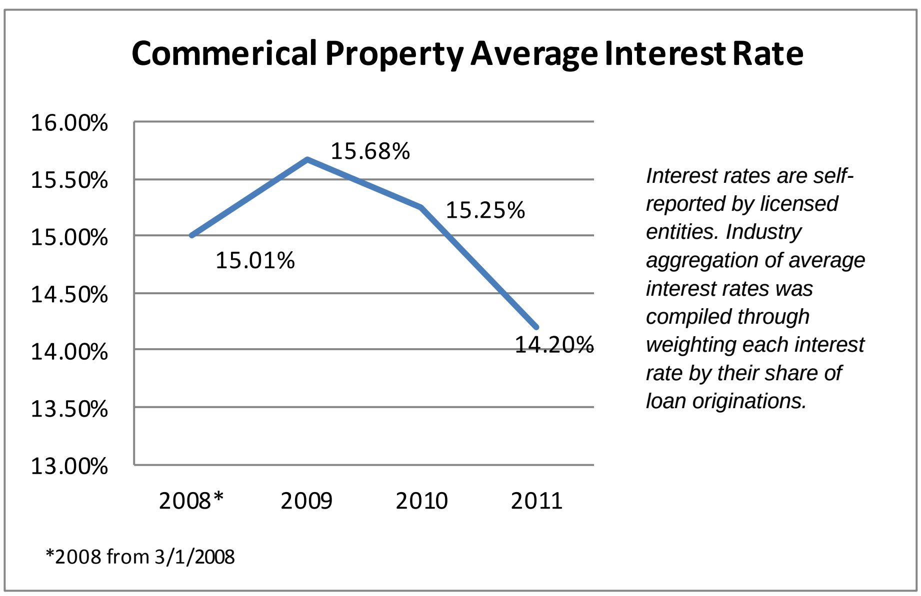

Figure 11: Average commercial property tax lien loan interest rate for each calendar year. Despite the increase in the average interest rate from CY2008 to CY2009, commercial property average tax lien loan interest rates have most recently declined to the lowest levels for which data was reported.

Survey Methodology

Costs not included with information collected from the annual report questionnaire were designed to be collected as part of a random sampling of property tax loans. The costs to be collected were identified as collection or servicing costs. Servicing costs are not present on all property loans and are generally dependent on the paying habits of the borrower. These costs required significant review of the detailed payment histories and loan documents to determine the amount and frequency of the charges. Field observations by OCCC examiners were conducted for this purpose.

The combination of the two study parts provides an analysis of the impact and trends of origination year, paying habits of the borrower, and effects of legislation on the costs assessed to borrowers who obtain property tax loans.

Survey Design

Servicing fees were segmented into related broad categories based on the purpose of the fee. This allowed for the easier assignment of fees to a category and aided with the speed of recording the fees. Categories were subdivided according to similarity of purpose for the fee and by whom the fee was retained (i.e. lender or third-party). The approach also took into account fees specifically authorized by the 82nd Texas Legislature that was effective September 1, 2011. Fees that could not be placed into an authorized category were recorded as fees no longer permissible under current law.

This portion of the study was viewed to not be influenced by transaction year as was the questionnaire. Servicing fees are assessed depending on the payment habits of the borrowers and can be assessed at multiple periods during the loan's term. Sampling frames were devised based on paying habits of borrowers to categorize fees.

Sampling Approach

Property tax lenders with significant levels of reported loan originations were observed. Lenders that did not originate 25 or more loans in one of the reporting years (CY2008-CY2010) or were no longer in business were excluded. Under those parameters, a total of 36 companies were included in the survey.

To achieve an accurate capture of servicing fees, three sampling frames were selected. Loans were segmented into frames by delinquency status to approximate the accrual of fees tied to servicing costs. The three frames were defined as:

1. Non-Problem Loans: Property tax loans that were originated after or active as of March 1, 2008, that were never more than 90 days past due, the property owner had not filed for bankruptcy protection, and the property was never posted for foreclosure sale by the property tax lender.

2. Problem Loans: Property tax loans that were originated after or active as of March 1, 2008, that were more than 90 days past due or the property owner had filed for bankruptcy protection, but the property was never posted for foreclosure sale by the property tax lender.

3. Foreclosure Loans: Property tax loans that had been posted for foreclosure sale after March 1, 2008, by the property tax lender.

A sample size totaling 979 property tax loans was initially deemed sufficient to characterize the population of loans being sampled with a 95% confidence level and a confidence interval of +/- 5% for each sampling frame. The number of loans sampled at each lender was proportional to its share of all loans originated by the property tax lending industry during CY2008 through CY2010. After oversampling to account for variations in population, estimates a total of 1,087 loans were observed. The following observations from each frame were studied.

Type	Sample Size	Population
Non-Problem	391	30,513
Problem	385	11,234
Foreclosure	311	2,184
Total	1,087	43,931

Table 11: Total population and sample size used to conduct the Property Tax Lien Lending Study, 2012.

Additional loan characteristics including property type, year made, pre-existing mortgage, account status (current or paid-in-full) were recorded but not specifically sampled during the survey.

Data Collection Process

The survey portion of the study required onsite data collection by field examiners. This work was incorporated into regularly scheduled compliance examinations to conserve resources and to ensure privacy of proprietary information. Each sampled loan was systematically reviewed for information found on several different loan documents and loan servicing records. Examiners used one survey instrument to record information for 20 data fields for each loan. The data was then compiled and analyzed once all surveys were completed.

Survey collection lasted for three months, beginning on a trial basis on February 13, 2012, and concluding on May 12, 2012. During the initial collection periods, feedback was received from field staff and the survey instrument was evaluated for needed modifications. Training was administered to nine field examiners on March 1, 2012.

To determine the sample, an examiner requested a list of loans from each sampling frame from the respective property tax lender. A random number generator was used to select a random start point on each sampling frame loan list. The sampling interval was determined by dividing the number of property tax loans on the list by the pre-determined weighted sample for the licensee. After the interval and starting point were determined, the examiner created the selected sample list from which to record data for the survey. This survey sample list was then provided to the property tax lender to assemble the borrower's file and associated servicing records for examiner review.

Survey Data

The survey portion of the study focused on recording data relating to servicing fees. The following table represents the observed data segmented by property type. Field staff identified whether the property was owner-occupied or non-owner-occupied through an examination of transaction files including credit applications, deeds of trust, and other documents.

	Count[f]	Minimum	Average	Maximum
Tax Lien Transfer Amount				
Owner Occupied	867	$ 507.70	$ 7,773.41	$138,076.78
Non-Owner Occupied	220	$1,093.26	$17,706.93	$144,941.59
Third-Party Bankruptcy Fees				
Owner Occupied	73	$ 5.36	$ 768.66	$ 2,446.00
Non-Owner Occupied	16	$ 250.00	$1,407.01	$ 11,020.00

Table continues to next page

[f] Because the sampling frames influenced the type of loans sampled, an overall generalization about percentage of loans containing the fees should not be made.

	Count[g]	Minimum	Average	Maximum
Third-Party Foreclosure Costs				
Owner Occupied	317	$13.84	$1,415.97	$9,040.84
Non-Owner Occupied	73	$75.00	$2,154.58	$23,324.75
Internal Collection Fees				
Owner Occupied	630	$ 2.88	$ 202.25	$ 2,273.43
Non-Owner Occupied	152	$ 2.61	$ 295.61	$ 4,231.39
Internal Administrative Fees				
Owner Occupied	154	$ 3.00	$ 92.10	$ 420.00
Non-Owner Occupied	36	$10.00	$ 124.81	$ 1,225.91
Third-Party Other Costs and Fees				
Owner Occupied	271	$10.00	$ 357.24	$ 2,126.02
Non-Owner Occupied	65	$54.12	$ 310.83	$ 2,354.00
Other Fees - No Longer Permissible				
Owner Occupied	385	$ 3.89	$ 307.17	$ 4,175.01
Non-Owner Occupied	85	$ 0.94	$ 231.16	$ 2,456.80
Total Post Closing Fees & Costs				
Owner Occupied	723	$ 3.61	$1,192.15	$10,648.44
Non-Owner Occupied	182	$ 2.84	$1,478.43	$23,827.23

Table 12: Servicing fees segmented by property type; includes only loans containing applicable fees.

[g] Because the sampling frames influenced the type of loans sampled, an overall generalization about percentage of loans containing the fees should not be made.

The following section presents information tables about fee types associated with each respective sampling frame. Unlike the preceding table, fees are not segmented by property type (owner occupied or non-owner occupied). The unique sampling frames produced a disproportionate weighting. Problem and foreclosure loans were more heavily weighted in the survey. Therefore, a disproportionate number of problem and foreclosure were reviewed as part of the total survey. The weighting of each sample type in comparison to the overall weighting of the industry is represented in Table 13.

Delinquent (problem and foreclosure loans) made up over 64% of loans included in the survey. Based on the design of the survey, an analysis of the percentage of property tax loans containing a specific fee was not made in this study. Where appropriate, the average and median fee amount for a specific fee type was reported as well as the percentage the total dollar amount of each fee category made up of the total servicing fees.

Type	Survey Sample[8]	Total Industry[9]
Non-Problem	35.97%	69.46%
Problem	35.42%	25.57%
Foreclosure	28.61%	4.97%

Table 13: Weighting of sample types in comparison to overall weighting of the industry.

The shaded area in each of the following tables indicates that the ratio of all surveyed loans with a specific charge could not accurately be reported (i.e. percentage of loans with a bankruptcy fee). Since there were separate sampling frames, all property tax loans did not have an equal chance of being selected in the survey. A purposeful number of property tax loans were randomly sampled to characterize specific fees. For example, focusing on problem loans made it possible to identify that 17.66% incurred bankruptcy fees with an average amount of $921.06.

Third-Party Bankruptcy Costs and Fees

Table 14 presents information about bankruptcy fees relating to attorney's fees and court costs. Bankruptcy fees are limited in scope to the cost incurred by the property tax lender as it relates to a borrower's voluntary bankruptcy petition filing.[16] The filing of a bankruptcy petition was a condition that classified a loan as a problem loan in the selected sampling frames. For this reason, bankruptcy fees appear most common in the problem loan sample.

Bankruptcy Fee Characteristic	All Loans Surveyed	Non-Problem Loans	Problem Loans	Fore-closure Loans
Percentage of Loans with Bankruptcy Fees		0.00%	17.66%	6.75%
Of loans with Bankruptcy Fees[17]				
Average Fee[18]	$883.42	$0.00	$921.06	$761.54
Median Fee	$750.00	$0.00	$750.00	$500.52
As a percentage of Total Fees	6.96%	0.00%	19.10%	2.17%

Table 14: Third-Party Bankruptcy Costs & Fees.

Third-Party Foreclosure Costs and Fees

Table 15 (on the following page) presents information about third-party foreclosure costs and fees on property tax loans. Foreclosure fees are affected by the amount of legal work required and how far along the property tax loan is in the foreclosure process. Foreclosure expenses are limited to reasonable expenses for work necessary in a foreclosure proceeding. This chart excluded portions of charges that would no longer be allowable after Senate Bill 762.

[8] Percentage of each sampling frame as compared to total sample size.
[9] Percentage of each sampling frame as compared to total sample of loans requested and as reported by each surveyed company.

Foreclosure related expenses affected a small amount of the non-problem loan sample but represented 21.62% of all fees assessed on that sample. One property tax loan with high third-party foreclosure costs disproportionately affected the average fee for the non-problem loan sample.

Over 25% of the problem loan sample was assessed fees for work beginning on the foreclosure process before being posted for foreclosure. The median fee of $750 indicates that a small number of expensive foreclosure fees contributed to an average fee of $1,061.94 for this sample.

Foreclosure Fee Characteristic	All Loans Surveyed	Non-Problem Loans	Problem Loans	Fore-closure Loans
Percentage of Loans with Foreclosure Fees		2.05%	25.71%	91.00%
Of loans with Foreclosure Costs and Fees				
Average Fee	$1,554.22	$1,785.44	$1,061.94	$1,719.89
Median Fee	$1,200.00	$590.70	$750.00	$1,355.80
As a percentage of Total Fees	53.64%	21.62%	32.05%	66.14%

Table 15: Third-Party Foreclosure Costs & Fees.

Foreclosure costs and fees represent the majority of expenses for property tax loans ultimately posted for foreclosure sale. The median fee of $1,355.80 is the highest of all sampling frames indicating substantial additional costs are needed to complete the foreclosure process compared to the other loan samples that were assumedly in earlier stages of the foreclosure process. The foreclosure loan sample required the posting of a sale for a property to be included in the sampling of those types of loans.

Internal Collection Fees

Table 16 presents information about internal collection fees which include late charges and NSF fees.

The total internal collection fees assessed on a loan is affected by the length of the property tax loan. As the number of payment periods increases, the risk of a late charge associated with a payment also increases. Late charges are limited after Senate Bill 762 revisions to the Texas Finance Code and are based on a percentage of the amount of the scheduled payment. NSF check fees are limited to $30 per occurrence.[19] This chart excludes portions of charges that are no longer allowable after the passage of Senate Bill 762.

Internal Collection Fee Characteristic	All Loans Surveyed	Non-Problem Loans	Problem Loans	Fore-closure Loans
Percentage of Loans with Internal Collection Fees		50.64%	81.30%	87.14%
Of loans with Internal Collection Fees				
Average Fee	$220.40	$95.88	$207.60	$326.15
Median Fee	$123.13	$48.15	$119.70	$219.45
As a percentage of Total Fees	15.22%	28.73%	19.81%	11.96%

Table 16: Internal Collection Fees

Internal collection fees were the most commonly assessed type of fee for the property tax loans sampled. It was the only fee found on the majority of non-problem loans appearing at an occurrence rate of 50.64%. Internal collection fees represent the most significant cost to borrowers retained by the property tax lender. The total cost and frequency of the charge is dictated by the paying habits of the borrower.

Internal Administrative Fees

Table 17 presents information about internal administrative fees which include balance information fees, request of document fees, release-of-lien fees, and pre-payment penalties. Release-of-lien fees are only applicable to loans that are paid-in-full and the property tax lender will not retain the entire amount of the release-of-lien fee, as some of the fee is paid to the county clerk's office and outside attorney. Pre-payment fees are only allowable for commercial properties.

Internal administrative fees represent the smallest cost as a percentage of all fees for the surveyed property tax loans. Under current law, fees that fall into this category and the internal collection cost category are the only fees allowed to be retained by the lender for servicing loans. This chart excluded charges or portions of charges that are no longer allowable after passage of Senate Bill 762 in 2011.

Internal Administrative Fee Characteristic	All Loans Surveyed	Non-Problem Loans	Problem Loans	Fore-closure Loans
Percentage of Loans with Internal Administrative Fees		9.72%	14.81%	30.55%
Of loans with Internal Administrative Fees				
Average Fee	$98.30	$85.89	$93.19	$106.33
Median Fee	$105.00	$104.00	$104.00	$110.00
As a percentage of Total Fees	1.54%	4.94%	1.62%	1.37%

Table 17: Internal Administrative Fees

Third-Party Other Costs and Fees

Other allowable costs and fees paid to third parties were grouped together and represented in Table 18.

Other Costs and Fees Characteristic	All Loans Surveyed	Non-Problem Loans	Problem Loans	Fore-closure Loans
Percentage of Loans with Other Costs and Fees		19.69%	38.18%	36.01%
Of loans with Other Costs and Fees				
Average Fee	$348.26	$284.18	$379.71	$351.04
Median Fee	$255.00	$212.00	$330.00	$293.86
As a percentage of Total Fees	10.36%	33.11%	17.02%	5.34%

Table 18: Third-Party Other Costs & Fees

These fees included additional amounts paid after closing for recording fees, title examination fees, and collateral protection insurance. The entirety of the fee must be paid to a third party. Charges became more prevalent on the problem and foreclosure samples as title examination work generally increases for non-performing loans. The property tax lender must determine if there are any mortgage holders on the property to send all the required notices, such as

- The 90-day delinquency letter
- Notice to cure letter
- Notice of intent to accelerate
- Notice of acceleration
- Any additional notices

Third-party other costs and fees such as insurance and recording fees represent the largest percentage of total servicing fees for non-problem loans included in this survey. This chart excluded portions of charges that would no longer be allowable after Senate Bill 762.

Fees No Longer Permissible

The 82nd Texas Legislature limited servicing fees that may be charged in connection with property tax loans. Through the design of this study, all property tax loans regardless of year were treated as if the servicing limitations were in effect. Any fee or portion of a fee that is no longer authorized was recorded under the no longer permissible category. This included internal demand letter fees, payment processing fees, delinquent account fees, account re-instatement fees, the amount of NSF fee in excess of $30, and late charges that exceeded the amount authorized based on the percentage of payment. Other less common charges were judged on a transaction level basis for permissibility. Foreclosure loans by the property tax lender were assessed the highest average fees and were most likely to contain fees that are no longer permissible.

Fees No Longer Permissible Characteristic	All Loans Surveyed	Non-Problem Loans	Problem Loans	Fore-closure Loans
Percentage of Loans with Fees No Longer Permissible		21.74%	44.42%	68.81%
Of loans with Fees No Longer Permissible				
Average Fee	$293.42	$90.09	$197.92	$450.50
Median Fee	$165.38	$41.64	$114.91	$314.73
As a percentage of Total Fees	12.20%	11.59%	10.32%	13.10%

Table 19: Fees No Longer Permissible.

Total Servicing Fees

The table on the following page (Table 20) presents information about property tax loans with any servicing fees. The majority of all property tax loans were assessed additional servicing fees in each sampling frame. The best performing loans (non-problem loans) in the study had additional charges averaging $274.16 with a median fee of $132 found on 61.64% of the non-problem loans.

Total Servicing Fees Characteristic	Non-Problem Loans	Problem Loans	Foreclosure Loans
Percentage of Loans with Servicing Fees	61.64%	92.21%	99.36%
Of loans with Post- Closing Fees			
Average Fee	$274.16	$923.92	$2,384.91
Median Fee	$132.00	$551.67	$2,060.33

Table 20: Total Servicing Fees.

Account Status

Additional categorizing information was included in the survey data tool. Loans were examined whether they were still active or paid-in-full. The following breakdown of property tax loans was provided by field examiners:

Status	Number	Percentage
Active	742	68.26%
Unknown[10]	43	3.96%
Paid-in-Full	302	27.78%

Table 21: Status of total loans represented by volume and percentage of total industry loans made.

Information regarding who paid off property tax loans was recorded in the sample when available. Of the 302 loans surveyed that were paid off, a mortgage company paid 130 times, followed by 113 instances where the property tax lender did not keep sufficient records to determine who paid, and 59 instances where the borrower paid the property tax loan (Figure 12, following page).

[10] Loans that were not identified as active or paid-in-full.

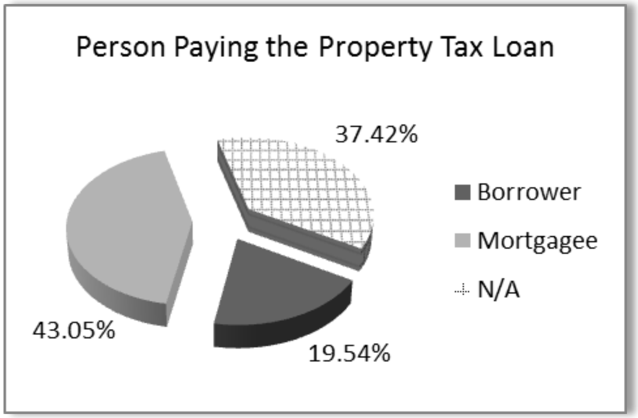

Figure 12: Of the 27.78% of surveyed property tax loans that were paid in full, this chart displays the percentages that were paid off by the borrower or a mortgage company.[11]

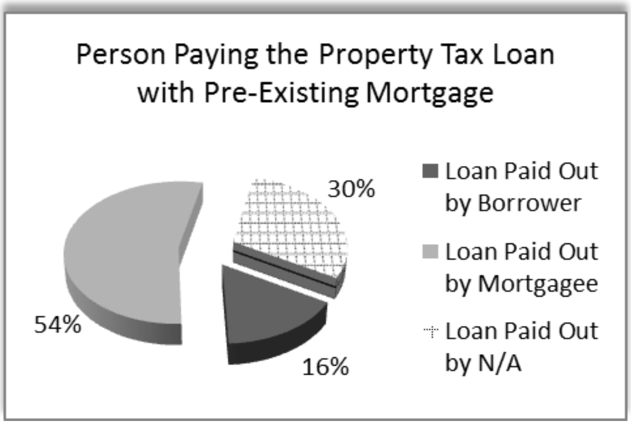

Figure 13: Of the 19.87% of surveyed property tax loans that were paid in full and had pre-existing mortgages, this chart displays the percentages that were paid off by the borrower or a mortgage company.[12]

Figure 13 represents surveyed property tax loans that had a pre-existing mortgage where the property tax loans were later paid in full. The different segments of the pie chart show the percentage of property tax loans that were paid off by the borrower, a mortgage company, or an unknown party. The figure represents only those property tax loans where the borrower had a pre-existing mortgage loan on the property and the property tax loan was repaid in full. The data representation is limited by inconsistent and non-standard recordkeeping on the part of property tax lenders, which did not provide adequate and absolute identification of the payee of the property tax loan. For example, if the property tax loan was repaid by a mortgage company, the absolute determination of whether the loan was repaid by the original pre-existing mortgage company or another separate/subsequent mortgage lienholder could not be made

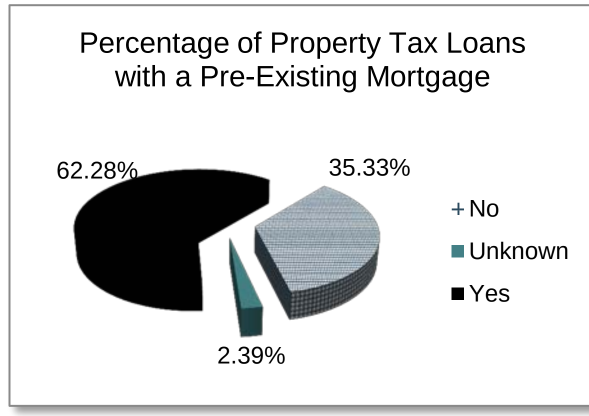

Figure 14: This chart represents the percentage of property tax loans in which the property owner had a pre-existing mortgage (first lien) as recorded in the onsite field examiner survey. Property tax lenders are subject to requirements for notification of a pre-existing first-lien holders or mortgage servicers after receipt of the certified statement attesting to transfer of tax lien[20] as well as notification when a property owner is delinquent at least 90 consecutive days.[21]

As part of the survey, examiners reviewed the records of the property tax lenders for information regarding borrower income (i.e. applications, pay stubs, etc.). The survey determined that 64.8% of the reviewed property tax loans contained some information regarding the income of borrowers. The remaining 35.2% of the reviewed loans did not contain any indications that any borrower income information was obtained or reviewed.

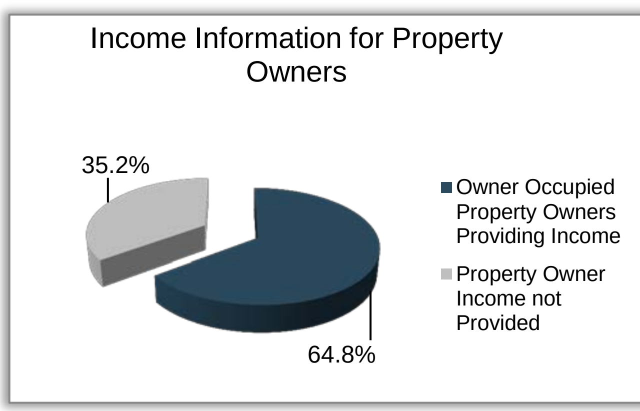

Figure 15: This chart reflects the percentage of owner occupied properties whose owners provided personal income.

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[11] 130 of 302 sampled property tax loans that were paid in full were paid by a mortgage company

[12] 117 of 216 sampled property tax loans that were paid in full and had a pre-existing mortgage were paid by a mortgage company.

Limitations of the Study

Limitations encountered in preparation for, and completion of, both the onsite examiner review of files for the study and the written questionnaire included understanding of loan status definitions by licensees and lenders, limitations of servicing platforms, and inconsistent recordkeeping.

In defining loan categories, foreclosure loans were the most problematic. For example, a property tax loan may be considered by a property tax lender to be in a "foreclosure" status at a determined point in time at one licensee yet not at another. To clarify, it was determined that for the study, a "foreclosure" would be any property tax loan ever posted for sale at the courthouse by the property tax lender.

Historical annual report data was used to determine total sample sizes. Because many of the property tax lenders have been originating property tax loans for a short period of time and did not have specific or uniform policies and procedures regarding foreclosures, annual reports provided limited foreclosure data. A decision was made to define the parameters of the foreclosure sample in a manner that would broaden the number of businesses that would have "foreclosure" loans. However, once current data was requested in preparation for onsite examiner study, the population of foreclosures increased significantly. Sample sizes had to be adjusted during the course of the study field work.

Further, it was found that there were differences in servicing platforms from one company to another, and from one year to another, even those using software from the same vendor. Many property tax lenders did not purchase or subscribe to all software modules such as credit underwriting or credit reporting. This often hindered a lender's ability to conduct effective data mining and provide requested data for this study that may be considered routine in other forms of lending. Furthermore, property tax lenders changed servicing platforms more frequently than expected and several different systems had to be used to reconcile fees assessed at different periods of times. Often, when a system conversion occurred, prior loan data was limited or lost.

Many servicing platforms contained more than one account level record. For example, at the account level, a payment history is one record that may be limited to recording only borrower payments. A sublevel record may include additional transaction specifics such as a breakdown of principal, interest, late, and NSF fees. Yet, another sublevel record may provide other fees and charges assessed and collected. Some platforms revealed assessed fees only upon collection of the fee (e.g. accrued but unpaid late fees for prior payments recognized en masse upon payoff). In other words, late fees, NSF fees, and other charges and fees might only be captured in detail in a sub-register/ledger that would reference either manually or automatically in the computation of payoffs and only the fees were collected upon pay out or refinance.

Inconsistencies with regard to the treatment of additional years' tax lien transfers created issues with regard to the collection of data pertaining to each transfer. For example, some property tax lenders made a new and separate loan while others "modified" an existing loan to add an additional tax lien transfer and associated closing costs to the existing loan balance.[22]

Further complicating data gathering was that some property tax lenders ship severely delinquent loan files to an outside attorney who assumes servicing through the cure or foreclosure. Some foreclosure process records were maintained by the attorney and not forwarded to the property tax lender.

It was also found that general recordkeeping was inconsistent at many companies making it difficult to substantiate and categorize charges. Efforts to standardize recordkeeping were made through administrative rulemaking. Although recordkeeping changes were not effective for most property tax loans surveyed, future benefits are anticipated.

Because of these limitations, non-sampling errors have most probably occurred and the possibility exists that, at times, not all fees were captured in the study, or fees recorded may not be defined and properly categorized. However, data collection that occurred in this study provides an understanding of the costs, fees, and charges assessed to borrowers in connection with a property tax loan. It is believed that purposeful data collection was achieved in this study.

Summary and Recommendations

Annual report information suggests that property tax loan growth, based upon the number of property tax loans, is stabilizing and fewer companies are entering the market than in the past. These indications signal that the industry is maturing. Data collected in the study suggests that market forces and sensible regulation appear to have slightly driven down the interest rates and closing costs of property tax loans. With proper disclosures, borrowers will have the ability to shop for the lowest potential costs for paying delinquent property taxes.

On the majority of each type of property tax loan sampled, servicing fees were found. The number of servicing fees and total dollar amount will be monitored through field examinations for compliance with statutes and administrative rules. In most cases, servicing fees are largely avoidable by the borrower making complete, adequate, and prompt payments on the property tax loans.

With the enactment of Senate Bill 762, the 82nd Texas Legislature established statutory changes that have moved the property tax loan process towards fee transparency and standardization regarding the permissibility of servicing fees. The effect of the statutory changes was too recent to appropriately be analyzed for this study, as the servicing fees that a property tax lender may assess, charge, or collect from the borrower are now limited.

Although the absolute number of foreclosures is relatively small (less than 1% of the number of property tax loans held as part of the property tax lender's receivable), foreclosure costs were found on:

- 2% of the surveyed non-problem property tax loans,
- 26% of the surveyed problem property tax loans, and
- 91% of the surveyed foreclosure property tax loans.

Of all the costs found on the surveyed property tax loans, foreclosure costs were the highest. The foreclosure costs of property tax loans should be monitored in subsequent examinations and reports.

This report does not make legislative recommendations regarding the fees, costs, interest, and other expenses charged to property owners by property tax lenders in conjunction with property tax loans. Although no recommendations are made, the Finance Commission, through its regulatory agencies, will closely monitor the property tax lending industry.

The Finance Commission appreciates the opportunity to report to the Texas Legislature on issues impacting the property tax loan industry.

Endnotes

[1] *Texas Property Tax Assistance Property Classification Guide*. Texas Comptroller of Public Accounts, Publication #96-313, Revised March 2011.
[2] *Texas Property Tax Assistance Property Classification Guide*. Texas Comptroller of Public Accounts, Publication #96-313, Revised March 2011.
[3] Texas Tax Code, §33.01(a)
[4] Texas Tax code, §33.01(c)
[5] Texas Comptroller of Public Accounts *2012 Property Tax Basics*, Chapter 5, Page 29
[6] Texas Comptroller of Public Accounts *2012 Property Tax Basics* 5.3.2
[7] Texas Tax Code, §31.03
[8] Texas Tax Code, §31.031
[9] Texas Tax Code, §33.02
[10] Texas Tax Code, §31.072
[11] Texas Tax Code, §32.06(e-1) and Texas Finance Code, §351.0021
[12] Texas Tax Code, §32.06(f-3)
[13] 7 Texas Administrative Code §89.603
[14] Texas Tax Code, §32.06(c)
[15] Texas Tax Code, §32.06(k)
[16] Texas Finance Code §351.0021(a)(5)
[17] Includes loans that are still open; additional fees may be assessed.
[18] Average cumulative fees assessed per loan.
[19] Texas Business and Commerce Code §*3.506*
[20] Texas Tax Code, §32.06(b-1)
[21] Texas Tax Code, §32.06(f)
[22] Loans that were modified to add additional taxes and not refinanced were treated as one continuous loan where taxes and fees were aggregated for comparison

Appendix A: Schedule J, Property Tax Lien Lender Annual Report

Schedule J: Additional Information for Property Tax Study

- **Line 1:** Report total number of loans originated during date range. A loan is either (a) a new loan to a new borrower, or (b) a loan made to an existing borrower for subsequent years' property taxes, whether the loan is a new loan or a renewal and extension of an existing loan.
- **Line 2:** Report in total for date range costs for which a property tax lender may charge, contract for, or receive fees in connection with closing a property tax loan. (Exclude prepaid interest charges from total).
- **Line 3:** Report in total for date range the total amount paid to the taxing units for taxes, penalties, interest, and legal fees, and court costs to certify the tax lien transfer during the date range.
- **Line 4:** Report in total for date range the total of all code compliance charges (mowing weeds, removing rubbish, or demolishing dangerous structures) or impact fees/assessments or other amounts paid by the tax lender to obtain a transfer not included in the Total Tax Lien Transfer amount.
- **Line 5:** Report in total for date range the average contract interest rate charged on principal loan balance of new loans made or renewed. Expressed as the mean of all note rates originated in the reporting year.

* Residential Property Tax Loans: Category A (Real Property: Single Family Residential), and homesteads designated as Category F (Real Property: Farm and Ranch Improvements) by the Property Classification Guide published by the Texas Comptroller of Public Accounts.

*Non-Residential Property Tax Loans: Loans for properties that are not classified as Category A or Category F by the Property Classification Guide published by the Texas Comptroller of Public Accounts.

OCCC Office of Consumer Credit Commissioner

Calendar Year 2011

SCHEDULE J: Additional Information

(For Property Tax Study)

Texas Loan Activity ONLY

Residential Property Tax Loans

	Mar 1 – Dec 31, 2008	Jan 1 – Dec 31, 2009	Jan 1 – Dec 31, 2010	Jan 1 – Dec 31, 2011
1. Number of Loans Made………..	________	________	________	________
2. Total Closing Costs……………..	$________	$________	$________	$________
3. Total Tax Lien Transfer Amounts…	$________	$________	$________	$________
4. Other charges required to obtain a release of tax lien……………….	$________	$________	$________	$________
5. Average Interest Rate………….	________%	________%	________%	________%

Non-Residential Property Tax Loans

	Mar 1 – Dec 31, 2008	Jan 1 – Dec 31, 2009	Jan 1 – Dec 31, 2010	Jan 1 – Dec 31, 2011
1. Number of Loans Made………..	________	________	________	________
2. Total Closing Costs……………..	$________	$________	$________	$________
3. Total Tax Lien Transfer Amounts…	$________	$________	$________	$________
4. Other charges required to obtain a release of tax lien……………….	$________	$________	$________	$________
5. Average Interest Rate………….	________%	________%	________%	________%

Appendix B: Property Tax Lien Lender Data Collection Tool

Definitions:

***Owner Occupied Loans** - residential property owned and used by the property owner for personal, family, or household purposes.

****Non-Owner Occupied Loans** - Property not owned and used by the property owner for personal, family, or household purposes.

***Number of times a subsequent years taxes were advanced - Number of additional times (after the first set of delinquent taxes) subsequent years taxes were added to the current loan or refinanced into a new loan

Fee Legend					
(a) 3rd Party Bankruptcy Costs & Fees	**(b) 3rd Party Foreclosure Costs and Fees**	**(c) Internal Collection Fees**	**(d) Internal Administrative Fees**	**(e) 3rd Party Other Costs and Fees**	**(f) Other Fees - no longer permissible under SB 762**
Attorney Fees related to Bankruptcy filings	Attorney Fees related to foreclosure suit under Chapter 33	Late payment fees	Fees for providing a payoff statement	Recording fees for loan modification	subsequent year tax payments (outside 33.445 or 32.06)
Court Costs related to Bankruptcy filings	Attorney Fees related to Rule 736 foreclosures	Non-sufficient funds fee	Prepayment penalty fees (commercial properties only)	Abstract and title examination fees	Internal demand letters
	Attorney Fees related to non-judicial foreclosures		Document copy fees	Collateral protection insurance costs	90 day mortgage notice fees
	Court costs related to foreclosures		Release of lien fee		Loan modification fees with no new taxes advanced
			Loan balance information fee		Payment processing fees
					reinstatement fees

Property Address	Zip Code	Property Type	Sample Type	Account Status	Pre-Existing Mortgage	Paid off by borrower or Mortgagor	Borrower's Stated Income (If recorded by licensee)	**Date of the Loan**	**Total Tax Lien Transfer**	**Total Costs Paid at Closing**	**Number of times a subsequent years taxes were advanced**	**Contract Rate**	**APR**	(a) 3rd Party Bankruptcy Costs & Fees	(b) 3rd Party Foreclosure Costs and Fees	(c) Internal Collection Fees	(d) Internal Administrative Fees	(e) 3rd Party Other Costs and Fees	(f) Other Fees - no longer permissible under SB 762	(g) Total Post Closing Fees & Costs (g = a+b+c+d+e+f)
Street Address, City, State	Zip code 12345	Owner Occupied, Non Owner-Occupied	Non-Problem, Problem Loans, Foreclosure	Active, Paid-out	Yes, No	Borrower, Mortgagor, N/A	$______	**MM/DD/YYYY**	$_____	$_____		_____%	_____%	$_____	$_____	$_____	$_____	$_____	$_____	$0.00
Street Address, City, State, Zip	Zip code 12346	Owner Occupied/ Non Owner-Occupied	Non-Problem, Problem Loans, Foreclosure	Active, Paid-out	Yes, No	Borrower, Mortgagor, N/A	$______	**MM/DD/YYYY**	$_____	$_____		_____%	_____%	$_____	$_____	$_____	$_____	$_____	$_____	$0.00
Street Address, City, State, Zip	Zip code 12347	Owner Occupied/ Non Owner-Occupied	Non-Problem, Problem Loans, Foreclosure	Active, Paid-out	Yes, No	Borrower, Mortgagor, N/A	$______	**MM/DD/YYYY**	$_____	$_____		_____%	_____%	$_____	$_____	$_____	$_____	$_____	$_____	$0.00
Street Address, City, State, Zip	Zip code 12348	Owner Occupied/ Non Owner-Occupied	Non-Problem, Problem Loans, Foreclosure	Active, Paid-out	Yes, No	Borrower, Mortgagor, N/A	$______	**MM/DD/YYYY**	$_____	$_____		_____%	_____%	$_____	$_____	$_____	$_____	$_____	$_____	$0.00
Street Address, City, State, Zip	Zip code 12349	Owner Occupied/ Non Owner-Occupied	Non-Problem, Problem Loans, Foreclosure	Active, Paid-out	Yes, No	Borrower, Mortgagor, N/A	$______	**MM/DD/YYYY**	$_____	$_____		_____%	_____%	$_____	$_____	$_____	$_____	$_____	$_____	$0.00