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TDSML & TEXAS STATE DISCLOSURE VIOLATIONS

The Texas Department of Savings and Mortgage Lending is experiencing an increase in violations for failure to provide complete versions of Texas State required disclosure forms. The violations run from overlooking certain data fields to an inordinate number of files containing completely blank forms. The following is a link to all the forms Mortgage Bankers licensed in Texas are required to provide to borrowers:

http://www.sml.texas.gov/ResidentialMortgageLoanOriginator/rmlo_banker_field_examination_resources.html

The most common issue surrounds the improper form and/or improper use of the [Conditional Qualification Letter \(Form A\)](#) and the [Conditional Approval Letter \(Form B\)](#). Mortgage Bankers should review the forms they are currently using to confirm that they contain the minimum requirements contained in [\(7 TAC 81.201\)](#) as some of the violations being cited on these documents relate to prepackaged forms being provided from other vendors. Many violations are cited for using Form A when Form B is called for and vice versa. Even when the correct forms are used and not blank but attempted to be completed, a significant number of files reviewed reveal the following fields are missing: Originator Data (NMLS, Address, Phone); Loan Data (Loan Amount, Rate, Term, LTV); Application & Verification Data (Credit, Income, Down Payment, Etc...). Forms are also submitted using improper language like “pre-approval”, or omitting the qualifying interest rate, or maximum LTV.

The Mortgage Banker Disclosure form [\(7 TAC 81.200\(a\)\)](#) provided at the time of application is another problematic violation. Beyond failing to use the form at all, the most common errors for this form are failure to complete: Originator Information; Process for a consumer to file a complaint with the Department; Information about filing a Recovery Fund claim; and Delivery information.

Examinations started in 2015 have begun checking compliance in two additional areas:

1) ECOA Appraisal Delivery Disclosure and 2) Homeownership Counseling Organization List. Both of these items have been added to the [Application Compliance Worksheet \(ACW\)](#) when an examiner reviews a file. If there is an issue it is discussed in the exit interview and management is referred to the CFPB website.

If you have any questions, please contact:

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