PPDOCS, INC. CLIENT MEMORANDUM

From: Shannon Phillips Jr., Attorney at Law, and Randy Carey, Compliance Specialist

Date: July 27, 2026

Subject: Relief Modification Services for Customers and Property in the 59 Counties Named in Governor Abbott's Disaster Declaration

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Dear Clients and Friends of PPDocs, Inc.,

Lenders may prepare documentation for disaster relief using the PPDocs, Inc. system for $75.00 per transaction. Lenders may use our system to prepare forbearance letters and modification agreements even if the original loan documents were not prepared through PPDocs.

A Simple, Non-Recordable Loan Modification Agreement and the Forbearance Letter can be used in conjunction with any type of real estate loan.

The Forms

1. The Simple, Non-Recordable Loan Modification Agreement

The Simple, Non-Recordable Loan Modification Agreement ("Modification") is a simplified modification agreement that does not contain acknowledgements, does not require a notary public, and is not eligible for recording.

The Modification includes a notice that informs borrowers who escrow that collection of escrows during the deferment period is not required, but that an escrow deficiency may occur, and, if it does, the monthly escrow will increase the following year. The borrower is also advised they may voluntarily pay the shortage in full at that time.

Use of the Modification:

- The Modification is appropriate only for deferring payments, changing installment amounts, decreasing interest rates, and/or decreasing loan amounts.

- The Modification is **not** appropriate for any modification that increases the interest rate, shortens the maturity date or increases the amount of the loan, other than the capitalization of delinquent payments and other obligations as detailed below. Such modifications must be recorded to avoid prejudicing subordinate lienholders.

- The Modification is **not** recommended for any modification that lengthens the maturity date because of the lack of acknowledgement and recordation.

2. Our Forbearance Letter

The Forbearance Letter ("Letter") details the period before the loan modification period begins. Although it can be used with any loan, to remain compliant with Texas law its use is required when modifying delinquent Texas home equity loans. The Letter provides that the lender will forbear from foreclosing for a particular period of time, and that at the end of that period the borrower must either (1) repay the amounts due during the forbearance period or (2) enter into a modification agreement to recast payments.

We recommend this method for Texas home equity loans because home equity loans require that periodic installments are (1) substantially equal, (2) scheduled not more often than every 14 days or less often than monthly, and (3) equal or exceed accrued interest.

<u>Other Considerations</u>

1. **Loan Servicing Systems.** If a payment deferral agreement is entered into, the creditor should adjust their loan servicing systems to ensure that credit reporting on the loan is adjusted appropriately to avoid reporting the consumer past-due during the deferral period.

2. **Escrow.** If the deferred loan is subject to an existing escrow account, the deficiency in the escrow account should be considered and treated as a normal escrow deficiency at the time the next escrow analysis statement is produced. This may result in the consumer being required to make a higher escrow payment in the subsequent escrow year. While there is no specific notification required to be provided to the consumer at the time of deferral, we have added a notice to the Modification Agreement to inform the consumer of a potential increase in escrow account payments.

3. **Modifying an Adjustable Rate Mortgage (ARM).** If a creditor is modifying an ARM and a scheduled interest rate and payment adjustment would occur according to the original ARM contract during the deferral of payments or the initial payment adjustment notice is required to be sent at least 210, but no more than 240, days before the first payment at the adjusted level is due, the creditor will basically ignore the impact of the loan modification agreement.

Official Interpretation

20(c) Rate adjustments with a corresponding change in payment.

2. Loan modifications. Under § 1026.20(c), the interest rate adjustment disclosures are required only for interest rate adjustments occurring pursuant to the loan contract.

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Accordingly, creditors, assignees, and servicers need not provide the disclosures for interest rate adjustments occurring in loan modifications made for loss mitigation purposes. Subsequent interest rate adjustments resulting in a corresponding payment change occurring pursuant to the modified loan contract, however, are subject to the requirements of § 1026.20(c).

20(d) Initial rate adjustment.

2. Loan modifications. Under § 1026.20(d), the interest rate adjustment disclosures are required only for the initial interest rate adjustment occurring pursuant to the loan contract. Accordingly, creditors, assignees, and servicers need not provide the disclosures for interest rate adjustments occurring in loan modifications made for loss mitigation purposes. The initial interest rate adjustment occurring pursuant to the modified loan contract, however, is subject to the requirements of § 1026.20(d).

We are offering preparation of our Modification Agreement and Forbearance Letter on our system, as opposed to simply disseminating the forms, because our reading of Texas Government Code, Chapter 83 requires that the preparation of instruments affecting title to real property in Texas generally must be done by an attorney at law. Preparing these forms "in-house" risks violating the unauthorized practice of law restrictions of Chapter 83. Preparation of these, and other instruments affecting title to real property through the PPDocs system ensures compliance with Texas UPL requirements.

This memo contains a summary of requirements for modifying loans secured by real property located in Texas but is not a comprehensive analysis of the law. Clients and their legal counsel must determine how to best handle a customer's request of a modification or refinance of an existing loan secured by real property in the state of Texas.

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