

Property Tax Lender Advisory Bulletin: Payoff Requests from Borrowers

This bulletin describes how property tax lenders should respond to payoff requests from a borrower or from a person the borrower has authorized to pay off a property tax loan.

A borrower has a right to pay off a property tax loan early. The Texas Tax Code and the Texas Finance Code prohibit prepayment penalties for residential property tax loans. Texas Tax Code § 32.065(d); Texas Finance Code §§ 343.205, 351.0021(a)(9). A property tax lender may not “lock out” the borrower or prevent the borrower from paying off the loan early. The borrower’s right to pay off the loan early includes the right to authorize another person to pay off the property tax loan.

Property tax lenders should cooperate with other lenders to ensure that borrowers can pay off their loans early. If the borrower wants to authorize a person to pay off the property tax loan, then the parties should take these steps:

- **Borrower’s signed authorization:** The borrower should sign a written statement authorizing the person (or more than one person) to pay off the property tax loan.
- **Payoff request:** The authorized person should request a payoff statement from the property tax lender, and should include the borrower’s written statement with the request. The request should include the borrower’s name, the authorized person’s name, a description of the property, and instructions for where to send the payoff statement.
- **Payoff statement:** The property tax lender should respond with a payoff statement within a reasonable period of time. The payoff statement should include accurate payoff information, and the borrower and the authorized person should be able to rely on it for a reasonable period of time. The payoff statement should include reasonable instructions for paying off the property tax loan.
- **Payoff:** The borrower or the authorized person should pay off the property tax loan as described in the payoff statement.
- **Assignment or release of lien:** Once the property tax lender has received the payoff amount, the property tax lender must promptly assign the property tax loan to the authorized person or release the property tax lender’s lien on the property.

The OCCC understands that some property tax lenders have responded to similar requests with payoff statements stating that they are only for informational purposes, and do not create a right to pay off the property tax loan. This statement is inappropriate when the borrower or a person authorized by the borrower wants to pay off a property tax loan, because borrowers have the right to pay off a property tax loan early or authorize another person to do so.