Texas Homebuyer Assistance & Home Equity Rules

State-run down payment help, and the Texas-only rules that govern home equity borrowing

Beyond the Veterans Land Board, Texas runs state-level down payment assistance programs through TSAHC and TDHCA, and its state constitution imposes borrowing rules on home equity loans, HELOCs, and cash-out refinances that don't exist anywhere else in the country.

KEY PROGRAMS

- **Homes for Texas Heroes (TSAHC)**
  3–5% down payment assistance (grant or forgivable second lien) for teachers, firefighters, EMS, police, corrections officers, and veterans.
- **My First Texas Home (TDHCA)**
  Below-market 30-year fixed loan + up to 5% DPA as a 0%-interest forgivable second lien; requires first-time buyer status, but veterans are exempt from that rule.
- **My Choice Texas Home (TDHCA)**
  Same DPA structure as My First Texas Home, but open to repeat buyers — no first-time buyer requirement.
- **Texas Mortgage Credit Certificate (MCC)**
  A federal tax credit equal to 15% of annual mortgage interest paid, up to $2,000/year, for the life of the loan.

ELIGIBILITY BASICS

- **Credit Score**
  Generally 620+; TSAHC's conventional (HFA) and manufactured-home options require 640+.
- **Income Limits**
  Vary by county, household size, and program; TSAHC recently raised its cap to 125% of area median family income.
- **First-Time Buyer Rule**
  Required for My First Texas Home and most MCCs — but veterans and target-area buyers are exempt.
- **Homebuyer Education**
  A TDHCA-approved course is required before down payment assistance funds are released.
- **How to Apply**
  You can't apply directly to TSAHC or TDHCA — you must go through a participating/approved lender.

Four Programs, One Goal: Lower Your Cash to Close

Homes for Texas Heroes	My First Texas Home	My Choice Texas Home	Mortgage Credit Certificate
DPA for public-service professions & veterans	First-time buyers (veterans exempt from that rule)	Same DPA, open to repeat buyers too	Ongoing federal tax credit, not a one-time grant

Texas-Only Rule: Home Equity Borrowing (Section 50(a)(6))

Rule	What It Means
Combined Loan-to-Value Cap	Capped at 80% of your home's appraised value, no matter how much equity you have
Lender Fee Cap	Most lender fees are capped at 2% of the loan amount
Frequency Limit	Only one home equity loan per homestead allowed every 12 months
Cooling-Off Period	A mandatory 12-day waiting period between application and closing
Where You Close	Must close at the lender's office, an attorney's office, or a title company — never at your home

These rules apply to any home equity loan, HELOC, or cash-out refinance secured by a Texas homestead — prepayment penalties are also banned outright, and once a loan is classified as a Section 50(a)(6) loan it generally stays that way through future refinances.

What to Know Before You Apply

- **DPA pairs with your first mortgage, not with other DPA programs.** TSAHC and TDHCA assistance typically works alongside an FHA, VA, or USDA first loan, but you generally can't stack two agencies' down payment assistance on the same purchase.
- **Veterans have two separate paths.** A veteran can independently use a VLB loan (a different state agency) and/or Homes for Texas Heroes — they aren't the same program and aren't combined into one loan.
- **Section 50(a)(6) rules apply the moment you pull cash out of a Texas homestead** — on top of whatever rules govern the first mortgage itself.
- **Income and price limits vary by county.** Always confirm current figures with a participating lender rather than relying on a single statewide number.

SOURCE: Texas State Affordable Housing Corporation (tsahc.org) — Homes for Texas Heroes and Mortgage Credit Certificate guidelines; Texas Department of Housing and Community Affairs (tdhca.texas.gov) — My First Texas Home and My Choice Texas Home guidelines; Texas Constitution, Article XVI, §50(a)(6); Fannie Mae Selling Guide B5-4.1-03.

EFFECTIVE DATE OF DATA: Program terms, income limits, and credit-score minimums reflect TSAHC/TDHCA guidelines as of 2026 and vary by county, household size, and lender — confirm current figures with a participating lender before relying on any number.

DISCLAIMER: This fact sheet is for general information only and is not exhaustive. The author is not a licensed mortgage lender or financial advisor. Consult a participating lender for guidance specific to your situation.