



## Loan Originator Compensation and Anti-Steering Rules

### Summary

The Federal Reserve Board has published amendments to Section 226.36 of Regulation Z, imposing restrictions on loan originator compensation and restricting steering practices by loan originators. These new rules become effective with **all loan applications submitted to Mega Capital Funding on or after April 5, 2011**. The purpose of the new rule is to protect consumers in the mortgage market from unfair or abusive practices, while preserving responsible lending and sustainable home ownership. The rule impacts all mortgage loan originators, not just the mortgage broker. All individuals that originate closed-end loans secured by consumers dwelling will be held to the new compensation rule.

The new rule prohibits:

- Loan originators may not receive compensation that is based on loan terms or conditions, other than loan amount.
- Loan originators may not receive compensation from the lender or other parties if the loan originator is receiving compensation directly from borrower.
- Loan originators are prohibited from directing or "steering" a borrower to accept a mortgage loan that is not in the borrower's interest to increase the loan originator's compensation.

For more information, please visit the Federal Reserve Board website:  
<http://www.federalreserve.gov/newsevents/press/bcreg/20100816d.htm>

Loan originator will have two options either borrower-paid or lender-paid on each loan transactions.

### Borrower-Paid Compensation

- Amount of compensation is negotiated with borrower.
- Brokers can lower compensation, pay for violations or offer credits towards third party costs.
- Borrowers may pay discount points to reduce their interest rate.
- Borrower may use credits from the interest rate chosen to pay for third party fees, but such credits may not be used to cover any amount of the Borrower-Paid Broker compensation. (Interest rate must be reduced if credit exceeds any third party fees)
- Broker may **not** change compensation plan from Borrower-Paid to Lender-Paid Compensation.
- Seller credits are considered as borrower's funds.
- Borrower-paid compensation shall be limited to no more than \$50,000.

### **Lender-Paid Compensation**

- 100% of the Broker's compensation must be paid by Mega Capital Funding.
- Compensation must match exactly to Broker's compensation plan.
- Brokers may change Compensation plan on periodic basis.
- Borrower may use credits from the interest rate chosen to pay for third party fees. (Interest rate must be reduced if credit exceeds any third party fees.)
- Borrowers may pay discount points to reduce the interest rate.
- Broker may not reduce commission to pay for tolerance violations, credit third party fees or offer other concessions.
- Broker may change compensation plan from Lender-Paid to a Borrower-Paid Compensation.
- Seller credits are considered as borrower's funds.
- Lender Paid Compensation shall be limited to no more than \$30,000.00

### **Anti-Steering and Safe Harbor**

The rule also prohibits loan originators from steering borrowers to loans in which they receive greater compensation from the lender unless the loan is in the borrower's interest. The originator must present three options to borrower.

1. The lowest interest rate
2. The lowest origination fees/ discount points
3. The lowest rate with no risky features

Anti-Steering Disclosure form is required with submission.

### **MCFI Lender-Paid Compensation Plan**

- Fee changes to comp plan can only be done after **30days** of the effective date of the previous plan.
- New compensation will go into effect immediately on effective date requested. Requests to change must be sent to [lock@mcfunding.com](mailto:lock@mcfunding.com).
- **Compensation effective date will be based on complete loan package submission date.**



## LENDER PAID COMPENSATION AGREEMENT

Company Name: \_\_\_\_\_

I, the authorized signer for and on behalf of the Broker, here by elect the following percentage of loan amount for determining Broker's Lender-Paid Compensation amount in compliance with the Board of Governors of the Federal Reserve System's Regulation Z to the Truth in Lending Act, for all loans where borrower(s) have chosen to have Mega Capital funding, Inc ("Lender") pay the Broker's Compensation.

Please indicate Lender compensation details below:

<b>LENDER COMP %</b> (suggested 2.75% max for QM products)	<b>Minimum Fee:</b>
<b>Flat Fee:</b> (if applicable - Must be no greater than \$1,000)	<b>Max Fee:</b> (must be no greater than \$30,000)

I hereby certify that when compensation is paid by Lender, such amount is and will be their sole source of compensation. Broker will not charge of in any way assess borrower(s) any additional fees or charges. Broker will not receive or accept any compensation in any form, at any time, from any party other than the Lender.

Broker's compensation is subject to all applicable federal, state and local laws and regulations.

Authorized Signature (Broker/ Owner): \_\_\_\_\_ Date: \_\_\_\_\_

Name \_\_\_\_\_

Effective Date: \_\_\_\_\_

Title \_\_\_\_\_

E-Mail \_\_\_\_\_

MCFI Confirmation:

Signature \_\_\_\_\_ Date: \_\_\_\_\_