



GFE Procedures for LO Compensation

The purpose of this announcement is to provide guidance related to the GFE and HUD disclosure in accordance with the changes to the LO compensation rule and compliance to the (RESPA) Real Estate Settlement Procedures Act and Regulation Z.

Loan originator compensation can be paid from either the Lender (LPC) or the Borrower (BPC); but it **cannot be paid by both** on the same loan. Compensation on Borrower-paid transactions will be negotiated between the Broker and the Borrower on a loan-by-loan basis. Compensation on Lender-paid transactions will be at pricing established in advance and may not vary based on individual loan terms or conditions.

- **After April 5:** Borrower chooses compensation method BPC or LPC.

Allied's pricing engine will show both LPC and BPC pricing options.

- On LPC loans we build in your compensation level into the pricing engine. The borrower still has options of choosing different rate options, however, the pre-set compensation to broker will not change.
- On BPC loans we will provide a rate sheet daily. This price will NOT include any compensation by Allied. The broker then charges a negotiated compensation amount with the borrower that can vary by loan. You can also adjust pricing engine manually to determine pricing for LPC transactions. Ex: a 102 broker, on a 5.00% RATE SHEET that has 102 price, will adjust to 5% Par for the LPC loan. Again this will not be necessary since the pricing engine shows both BPC and LPC pricing when scenarios are run.

*****See Example of LPC and BPC Below*****

Lender-Paid Example 1

| Rate | 15 Day | 30 Day | 45 Day |
|-------------|---------|---------------|---------|
| 5.500 | 102.125 | 102.000 | 101.875 |
| 5.250 | 101.625 | 101.500 | 101.250 |
| 5.000 | 100.125 | 100.000. | 99.875 |
| 4.75 | 98.125 | 98.000 | 97.8875 |

- \$200,000 Loan Amount
- \$4,000 LO Compensation (2% POC, lender paid)
- \$795 Allied Application Fee
- \$4,000 Borrower *discount* (4.75% = 98.00) 30 day lock
- \$2,500 Estimated closing costs (total GFE blocks 3-11)

| | |
|----------------|-----------------------------------------------------------------------------|
| Block 1 | \$4,795 (\$4,000 LO Comp + 795 Application Fee) |
| Block 2 | -\$0.00 (Net of borr discount +\$4,000 - \$4,000 LO Comp credit) |
| Row A | \$4,795 (block 1 + block 2 credit) |
| Row B | <u>\$2,500</u> (total est. closing costs blocks 3 – 11) |
| Row A+B | \$7,295 (total estimated settlement charges) |

Lender-Paid Example 2

| Rate | 15 Day | 30 Day | 45 Day |
|--------------|---------|----------------|---------|
| 5.500 | 102.125 | 102.000 | 101.875 |
| 5.250 | 101.625 | 101.500 | 101.250 |
| 5.000 | 100.125 | 100.000. | 99.875 |
| 4.75 | 98.125 | 98.000 | 97.8875 |

- \$200,000 Loan Amount
- \$4,000 LO Compensation (2% POC, lender paid)
- \$795 Allied Application Fee
- \$3,000 Borrower *credit* (5.25% = 101.50) 30 day lock
- \$2,500 Estimated closing costs (total GFE blocks 3-11)

| | |
|----------------|-----------------------------------------------------------------|
| Block 1 | \$4,795 (\$4,000 LO Comp + 795 Application Fee) |
| Block 2 | <u>-\$7,000</u> (Borr credit -\$3,000 - \$4,000 LO Comp credit) |
| Row A | -\$2,205 (block 1 + block 2 credit) |
| Row B | <u>\$2,500</u> (total est. closing costs blocks 3 – 11) |
| Row A+B | \$295 (total estimated settlement charges) |

NOTE

- True 3rd party processing fees are allowed if invoice is provided. Processing company must have an NMLS licensed processor for all applicable licensing states and must provide evidence of the same.
- LO's cannot credit any portion of their compensation to the borrower, or pay any 3rd party fees.
- 2% for Lender Paid compensation above is an example of compensation the broker requested from the lender and is negotiated on a periodic basis. The amount may not increase or decrease during the defined time period.
- ON LPC loans Seller Concession can **ONLY** be used to cover 3rd party closing costs, CREDITOR Application, Origination and or Discount Fees. Seller Concession **CANNOT** include any Broker Compensation including credit reports paid to the broker.

| Borrower-Paid Example 1 | | | | Borrower-Paid Example 2 | | | |
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| Rate | 15 Day | 30 Day | 45 Day | Rate | 15 Day | 30 Day | 45 Day |
| 5.500 | 104.125 | 104.000 | 103.875 | 5.500 | 104.125 | 104.000 | 103.875 |
| 5.250 | 103.625 | 103.500 | 103.375 | 5.250 | 103.625 | 103.500 | 103.375 |
| 5.000 | 102.125 | 102.000. | 101.875 | 5.000 | 101.125 | 101.000. | 100.875 |
| 4.75 | 100.250 | 100.125 | 99.875 | 4.75 | 100.125 | 100.000 | 99.875 |
| <ul style="list-style-type: none"> • \$200,000 Loan Amount • \$5,200 LO Compensation (Negotiated Fee) • \$795 Allied Application Fee • -\$250 Borrower <i>credit</i> (4.75% = 100.125) • \$2,500 Estimated closing costs (GFE blocks 3-11) <p>Block 1 \$5,995 (\$5,200 LO Comp + 795 Application fee)</p> <p>Block 2 <u>-\$250</u> (borrower credit - \$250)</p> <p>Row A \$5,745 (block 1 minus block 2 credit)</p> <p>Row B <u>\$2,500</u> (total est. closing costs blocks 3 – 11)</p> <p>Row A+B \$8,245 (total estimated settlement charges)</p> | | | | <ul style="list-style-type: none"> • \$200,000 Loan Amount • \$5,200 LO Compensation (Negotiated Fee) • \$795 Allied Application Fee • -\$2,000 Borrower <i>credit</i> (5.00% = 101.000) • \$2,500 Estimated closing costs (GFE blocks 3-11) <p>Block 1 \$5995 (\$5,200 LO Comp + \$795 Application Fee)</p> <p>Block 2 <u>-\$2,000</u> (borrower credit - \$4,000)</p> <p>Row A \$3,995(block 1 minus block 2 credit)</p> <p>Row B <u>\$2,500</u> (total est. closing costs blocks 3 – 11)</p> <p>Row A+B \$6,495 (total estimated settlement charges)</p> | | | |
| NOTE | <ul style="list-style-type: none"> • True 3rd party processing fees are allowed if invoice is provided. . Processing company must have an NMLS licensed processor for all applicable licensing states and must provide evidence of the same. • Borrower credits cannot exceed (and must be applied to) total closing costs and prepaids. Can not be used to cover broker compensation. BORROWER MUST HAVE ASSETS VERIFIED TO COVER BPC EVEN IF REDUCED BY THE PRICING CREDIT !!! • Compensation must come from consumer's own funds or proceeds from the new loan. • On BPC loans Seller Concessions CAN be used to cover broker compensation and closing costs | | | | | | |

Mortgage Broker Compensation Agreement and Anti-Steering Disclosure

In addition to the GFE the broker and borrower must sign the Mortgage Broker Compensation Agreement and Anti-Steering Disclosure which confirms which method of compensation is chosen and acknowledge that the borrower has been presented with the following options:

Loan Originators must present loan options to the borrower to avoid “steering” them to a particular term or product. Safe harbor compliance for anti-steering is satisfied by the following:

- For each type of transaction (Fixed, ARM) requested, provide the borrower with the following loan options:
 - Loan with the lowest interest rate;
 - Loan with the lowest interest rate for which the consumer qualifies with no “risky features”; and
 - Examples of “risky features” are pre-payment penalties, negative amortization, or a balloon payment in the first seven years.
 - Loan with the lowest points and origination fees.
- Loan Originators must present at least 3 options to the borrower from lenders the loan originator is currently working with; unless the borrower only qualifies with one lender or the Loan Originator works with less than 3 lenders.