

Important Links

- HSOA Wholesale website - Resource Tab and or Forms Tab
<http://www.hsoawholesale.com/>
 - RESPA Roundup - Under the Resource Tab
 - HSOA LO Comp GFE Scenarios Wholesale and Retail
 - Federal Reserve Board (FRB) Slides LO Comp webinar March 17, 2011
 - FRB – Interpretation Borrower Paid Broker Compensation for Mortgage Brokers
- Federal Reserve Board (FRB) LO Compensation webinar March 17, 2011 – link to replay the audio presentation
<http://www.visualwebcaster.com/FederalReserveBankSF/77385/event.html>
- DocMagic High Cost Anti-predatory Lending page:
<https://www.docmagic.com/compliance/high-cost-memos/index>

HSOA Maximum Compensation Standards - Wholesale Loans

- Loan amounts up to \$500,000: The maximum net broker compensation on all loans cannot exceed 4.5% (including lender paid compensation, discount, origination fees, and any fees retained by the broker),
- Loan amounts over \$500,000 the maximum net broker compensation is the **lesser** of 4.5% + \$795 or \$22,500.
- With the exception of FHA and VA loans there is no differentiation between broker discount points or origination fees.□
- Any pricing specials and/or pricing incentives must be included in the maximum compensation calculation.
- The maximum lender paid broker compensation that can be requested is 3.0%.

Questions and Answers

- 1) Is it permissible to pay loan officers a flat number and deduct a flat dollar amount same dollar and number of bp in a given month
 - a) Yes, as long as it is the same regardless of loan terms
- 2) How are you handling **broker owned escrows** on lender paid? Can the amount of the title costs be considered bona fide charges?
 - a) The Federal Reserve Board's (FRB) March 17, 2011 indicated that, for example, if a title company is affiliated with a brokerage entity, bona fide and reasonable fees paid to the title company for title and closing services are not considered compensation to the mortgage broker.
- 3) IS HSOA going to allow brokers to collect for **third party fees** previously paid for by the broker such as credit **report fees, employment verification, flood fees, credit supplements or subordination fees** Can we collect all of them on the HUD?
 - a) 3rd party fees must be paid by the borrower - listed as POC on the HUD-1 or can be disclosed in block 3 of the GFE and paid at closing. However, to be paid at closing, they are paid to the provider NOT to the broker.

Home Saving of America
Regulation Z - LO Compensation & Anti-steering Q & As

- 4) If loan is locked on 21st but does not need to be submitted by 31st...when do we need to adhere to new policy for loans submitted to HSOA? What will the timing be between HSOA receiving the compensation plan and it being approved? What if we submit before 21st? for the April 1, 2011 implantation date:
 - a) HSOA Addendum to New Broker Application Addendum and Lender Paid Broker Compensation Agreement must be submitted on or before **Monday, March 23, 2011**.
 - b) Loans must be locked and submitted by **Thursday March 31, 2011** to fall under pre-April 1, 2011 compensation rules.

- 5) Assuming HSOA will want to review compensation plans of brokers, will an override by manager based on dollar amount funded or number of units be acceptable to HSOA for compensation?
 - a) HSOA will not review the Broker's employee's compensation plans. We will rely on the HSOA Addendum to New Broker Application Addendum where you indicate that you are in compliance with Regulation Z.

- 6) Can a broker set a flat fee per loan as opposed to % amount per loan?
 - a) Yes, a flat fee is acceptable in the compensation agreement.

- 7) Assuming that HSOA will still have daily rate sheets per compensation plan?
 - a) HSOA Rate sheets will be published as they are today and will not include adjustments for a broker's compensation plan. However, the Loan Score/eHome pricing screens will reflect the broker's compensation plan.
 - b) Example: Broker/HSOA Compensation Agreement is 2 point all loans.
 - i) HSOA standard Rate Sheet line of pricing include 3 premium points
 - ii) Line of pricing in eHome/Loan Score for the broker will show 1 premium point.

- 8) How does HSOA address **RESPA tolerance violations** if the broker can not pay?
 - a) Lender Paid Broker Compensation: HSOA cannot charge RESPA tolerance violations to the broker on a loan by loan basis. This is considered a decrease in the Broker's compensation. However, HSOA will track RESPA violations and it will be factor in evaluating broker performance.
 - b) Borrower Paid Compensation: HSOA will charge the broker for RESPA tolerance violations that are their responsibility.

- 9) When they changed the Regs (RESPA) last time, didn't YSP become the borrower's funds, and doesn't all that go to the borrower now and don't we charge them Borrower Paid Compensation on every deal now?
 - a) In the Pre-April 1, 2011 environment:
 - i) The amount of YSP in Block 1 is the amount of the YSP retained by the broker. The amount of YSP in Block 2 is the total amount of YSP per the Rate Sheet.
 - (1) If the amount of YSP in Block 1 and Block 2 are the same, the broker is retaining **all** of the YSP.
 - (2) If the amount of YSP in Block 1 is less than the amount in Block 2, the broker is retaining **some** of the YSP.
 - (3) If the amount of YSP in Block 1 is zero, the broker is retaining **none** of the YSP.

Home Saving of America
Regulation Z - LO Compensation & Anti-steering Q & As

- 10) If the broker signs a compensation agreement with HSOA can they submit loans under lender paid and others under borrower paid?
- a) Yes. The broker can vary the method of compensation (Lender Paid/Borrower Paid) on a loan by loan basis.
 - b) In addition the compensation method can change during the processing. After the rate is locked, HSOA will allow only one change to the compensation method.
 - c) RESPA/GFE rules are still in effect. When the compensation method is changed, the loan must be reviewed to determine if a Change Circumstance/revised GFE is required. In addition Block 1 amount cannot increase: If changing to Lender Paid Compensation would increase the Block 1 total amount, then changing to Lender Paid Compensation is not an option.
 - d) If borrower paid compensation is used, the Broker's LO cannot receive commission – must be paid a salary.
- 11) If a loan officer chooses only borrower paid compensation is the mortgage broker allowed to pay them a commission?
- a) Refer to the recent FRB interpretation – posted on our website.
- 12) Anti-Steering/Safe Harbor: What is the definition of “with whom the broker regularly does business”? Does that mean we need to send the lender a certain number of loans in a certain period?
- a) Regularly: the broker has a Lender Paid Compensation Agreement with the lender; or the lender approved/funded at least one loan from the broker in the previous calendar month; or the lender approved/funded at least twenty-five loans from the broker in the twelve calendar months.
 - b) Note: If a broker regularly does business with only one lender, the options can be provided from that lender. A broker is not required to develop new lender relationships in order to provide options.
- 13) Can my compensation be a flat fee or percentage whichever is greater?
- a) No. It can be a percentage of the loan with a minimum and maximum payment.
- 14) If a buyer is receiving seller concessions, is this a borrower paid transaction or could it be either?
- a) Seller concessions/contributions are allowed in any transaction.
 - b) Lender Paid Compensation: Seller contributions are considered the borrower's funds and cannot be paid to the broker. They can be used for 3rd party fees and charges.
 - c) Borrower Paid Compensation: Seller contributions are considered the borrower's funds and can be paid to the broker or applied to 3rd party fees and charges.
- 15) In the presentation, scenario 13 listed \$ 300 in “excess YSP/premium pricing” - meaning it was greater than the 3rd party fees - where does it go?
- a) It can be applied to the prepaid interest, and to the amount required for an initial escrow/impound deposit. If the amount of excess YSP/premium points is such that a lower rate can be chosen, the broker should choose a lower rate for the borrower with less YSP/premium points.

Home Saving of America
Regulation Z - LO Compensation & Anti-steering Q & As

- 16) Can the “excess Premium Points/YSP be used to reduce the loan amount in the presentation scenario #12?
- a) HSOA's policy will not allow a reduction in the loan amount. Other lenders may choose to allow a reduction in the loans amount. If the amount of excess YSP/premium points is such that a lower rate can be chosen, the broker should choose a lower rate for the borrower with less YSP/premium points.
- 17) Where will the compensation package for HSOA be located?
- a) Refer to the Resources Tab on the HSOA website.
- 18) My understanding is that borrower paid compensation allows more freedom and can do everything the lender paid can do except the loan officer needs to be paid a salary?
- a) According to recent FRB information, if using borrower paid comp plans then a salary must be paid.
- 19) How is the lender fee, the **HSOA Admin Fee**, handled for Lender Paid and Borrower Paid Compensation? Is it deducted from the lender paid compensation?
- a) Lender Paid Compensation: The HSOA Admin fee is not deducted from the lender paid compensation. This would be considered a reduction of the broker's compensation – not allowed per the Reg. The amount of lender compensation (per the Agreement in force) plus the HSOA Admin fee will be in Block 1 of the GFE. The HSOA Admin fee will be netted out of the wire as it is today and paid by the borrower.
 - b) Borrower Paid Compensation: The HSOA Admin fee would be included with the other Block 1 fees as it is today.
- 20) Is it permissible on borrower paid transaction for the broker to pay the loan officer a bonus based upon volume?
- a) Refer to the regulation for allowable criteria for compensation. Volume is one of the criteria.
- 21) If the broker doesn't have a history with HSOA can they set the terms of compensation at any amount?
- a) The broker needs to make certain business decisions: evaluate their current history, set a compensation level with HSOA that is competitive in their market, is within the bounds of the HSOA agreement and will allow them to operate per their business plan.
- 22) Are we sure about the answer about **broker owned escrow companies**? If broker owned escrow isn't that an affiliated third party?
- a) A company owned by a brokerage entity is affiliated party and is considered one person per Regulation. However, The Federal Reserve Board's (FRB) March 17, 2011 indicated that, for example, if a title company is affiliated with a brokerage entity, bona fide and reasonable fees paid to the title company for title and closing services are not considered compensation to the mortgage broker.
- 23) Can the broker have different agreements with different lenders?
- a) Yes. Agreements are negotiated with each lender and can be vary by lender.

Home Saving of America
Regulation Z - LO Compensation & Anti-steering Q & As

- 24) Is it permissible to charge for processor fees under a borrower paid scenario?
- a) Yes. Under the Borrowers Paid Compensation method, the fees disclosed in Block 1 of the GFE are negotiated between the borrower and the broker and may look like they do today.
- 25) Is this wholesale only or also retail?
- a) The regulation applies to mortgage loan originators (refer to the definition in the presentation) who originate retail or wholesale loans.
 - b) The Anti-steering rule applies to wholesale/broker transactions only.
- 26) If borrower paid compensation can the loan officer be paid via 1099 rather than W2?
- a) Please refer payroll/IRS questions to your counsel of choice.
- 27) Can you elaborate on a flat fee? How is it handled in each type of transaction?
- a) It means the LO receives a fixed or set amount for all loan transactions.
- 28) I work in 2 states, two different lenders under one corp.? Can I have 2 agreements with HSOA?
- a) Please refer to your counsel of choice.
- 29) Does the lender paid or borrower paid need to be the same to the loan officer?
- a) A LO can submit either lender paid or borrower paid transactions to HSOA.
- 30) Any issue with the broker owner being the loan officer on a transaction? I have heard it is illegal now?
- a) Please refer to your counsel of choice.
- 31) YSP is or is not borrower funds after April 1, 2011?
- a) YSP/Premium Points listed on the rate sheet cannot be paid to the broker on any transaction on after April 1, 2011. YSP/Premium Points can be used by the borrower to pay 3rd party fees and charges, prepaid interest and initial escrow/impound deposits.
- 32) Will this completely wipe out our ability to do no cost loans? It is a large part of our business.
- a) Lender Paid Compensation: The lender pays broker the amount per the Agreement in effect. The borrower (or any other party) may not provide compensation to the broker. A loan would have to be priced with YSP/premium points - which the borrower could use to pay the 3rd party fees. Refer to HUD's RESPA Roundup available on HUD's RESPA website for examples.
 - b) Borrower Paid Compensation: charges and fees are negotiated between the broker and the borrower. Any YSP/premium points can be used by the borrower to pay the 3rd party fees.
- 33) Will these rules apply to direct lenders and banks?
- a) Yes. Refer to the definition of a Loan originator.
- 34) Where did we HSOA get opinions on barring borrower paid compensation to origination?
- a) Refer to the Recent FRB interpretation – on our wholesale website.

Home Saving of America
Regulation Z - LO Compensation & Anti-steering Q & As

- 35) Does a **processing fee** come out of the lender paid compensation? What if it is a **third party processing company**? Does the lender fee, **HSAO Admin Fee**, come out of the lender paid compensation or is that a separate fee?
- a) The broker is paid the amount per the broker/HSAO compensation agreement – no changes allowed.
 - b) Lender Paid Compensation: Processing fees (in-house or contracted with a 3rd party) are a cost of doing business and must be considered when setting the compensation amount requested from HSAO in the Agreement.
 - c) The HSAO Admin fee is paid by the borrower and is not deducted from the lender paid compensation. GFE block 1 will include the lender paid compensation per the Agreement in effect and the HSAO Admin Fee.
 - d) Borrower Paid Compensation: Fees and charges are negotiated between the borrower and the broker. Block 1 fees will look like they do today. The HSAO Admin fee will be included in block 1 of the GFE.
- 36) When providing the borrower a list of financing options when must you tell the borrower about this? Must the lender named be maintained for each of these options?
- a) The loan options should be presented once you and the borrower agree on the lender paid compensation. HSAO will require the Statement of Compliance to be submitted with all Lender Paid Compensation packages submitted on/after April 1, 2011. If the transaction starts as Borrower Paid Compensation and changes to Lender Paid Compensation, submit the Statement of Compliance with the change circumstance documentation.
 - b) In order to have evidence of compliance, it is recommended that you include the lender's name and rate sheet with the loan options.
- 37) On a Lender Paid Transaction, we can make no concessions towards rate locks or anything else that comes up because the broker's compensation cannot change.
- a) Lender Paid Compensation: Fees that come up during the transaction must be handled as they are today via a change circumstance/revised GFE. However a rate lock extension is charged to the borrower. The broker may not pay any fees for the borrower.
- 38) If you do a salary plus bonus - to pay loan officers can the salary be any amount?
- a) Please refer to your counsel of choice.
- 39) What happens with extension fees? Who pays for them under each scenario?
- a) Lender paid compensation: The borrower pays rate lock extension fees.
 - b) Borrower Paid Compensation: The payment of rate lock extension fee is negotiated between the broker and the borrower.
 - c) A rate lock or a rate lock extension is a changed circumstance that required a revised GFE.
- 40) How often can the loan officer's bonus be paid? Can it be on a monthly basis or must it be paid via a W2?
- a) Refer payroll questions to your counsel of choice.

Home Saving of America
Regulation Z - LO Compensation & Anti-steering Q & As

- 41) If the buyer receives a closing cost credit (assume seller contribution) can that credit go to third party fees and still receive lender compensation to pay the broker? Does every loan that has a seller contribution have to be a borrower paid transaction? Can a lender paid transaction include a seller contribution to pay third party fees?
- a) Seller concessions/contributions are allowed in any transaction.
 - b) Lender Paid Compensation: Seller contributions are considered the borrower's funds and cannot be paid to the broker. They can be used for 3rd party fees and charges.
 - c) Borrower Paid Compensation: Seller contributions are considered the borrower's funds and can be paid to the broker or applied to 3rd party fees and charges.
- 42) If the borrower establishes an escrow/impound account so that the loan can close, can't the borrower just cancel the escrow/impound account after and receive the money after?
- a) An impound/escrow account is for the payment of taxes, insurance, etc. If an impound/escrow account is established at origination, cancelling the account will be per the policies of the lender/servicer.
 - b) HSOA will not set up an escrow/impound account for excess premium points.
- 43) Can I use a payroll service to pay my MLOs? MLO is then an employee Can I then pay them a salary? With a bonus?
- a) Refer payroll/IRS questions to your counsel of choice.
- 44) Can we charge the borrower more on a borrower paid transaction than on a lender paid transaction?
- a) Borrower Paid Compensation: The fees and charges are negotiated between the broker and the borrower and must adhere to the broker compensation limits set by HSOA. These limits (in place in the pre April 1, 2011 environment) are in support of Fair Lending are not the same as the Broker/HSOA lender paid compensation agreement?
- 45) Please explain how the lender paid compensation works on a lower loan amount?
- a) Lender Paid Compensation: Compensation that is based on a fixed percentage of the loan amount may be subject to a minimum and/or maximum dollar amount, as long as the minimum and maximum dollar amounts do not vary with by loan. For example: 1% of the loan amount for all loans, but not less than \$1,000 or greater than \$5,000 for each loan.
- 46) As I am operating as a one man shop must I pay myself a salary?
- a) Refer payroll/IRS questions to your counsel of choice.
- 47) How do we control the income on loans? Its great to pay based on volume but if the LO doesn't charge and fees, we would still have to pay them on the volume. Is there a solution to this issue?
- a) These are business decisions you will have to consider.
- 48) If broker chooses Lender Paid Compensation and borrower chooses to pay the discount points to keep rate lower, will eHome give this option when they lock?
- a) Yes. The line of pricing in eHome shows interest rates at par, with premium points and with discount points. The eHome line of pricing has been adjusted for the broker's current compensation agreement.

Home Saving of America
Regulation Z - LO Compensation & Anti-steering Q & As

- 49) Does the broker have to have two agreements one for borrower paid and lender paid with each lender?
- a) No, there are no agreements that govern borrower paid compensation. Borrower Paid Compensation is negotiated between the broker and the borrower.
 - b) Lender Paid Compensation: a **HSOA Addendum to New Broker Application Addendum** and **Lender Paid Broker Compensation Agreement** are required.
- 50) For the minimum to maximum fee range, I have a question. I have a range of \$0 to \$5,000, and the lender-paid Comp for me is set at 2.0%. On a loan amount of \$200,000, I want to collect from you only \$1,000, not \$4,000. Is this permissible?
- a) No, HSOA must pay the compensation amount per the Broker/HSOA Lender paid compensation agreement.
 - b) You can set your compensation at 2.0% with a minimum and a maximum. The Agreement applies to all loans.
- 51) Can LO's pay the broker owner a desk fee
- a) Refer to your counsel of choice.
- 52) Under the lender paid plan, is a Broker Fee Agreement still required up front?
- a) Yes. The existing requirements have not changed. The new Reg Z rules are in addition to any existing rules such as the Mortgage broker fee agreement.
- 53) Lender paid compensation transaction: what happens to the additional YSP/premium points, if the line of pricing selected is paying more premium than the total of 3rd party fees?
- a) The amount can be applied to the prepaid/per diem interest and to the initial escrow/impound deposit.
 - b) If there are excess premium points, the broker should choose a lower rate for the borrower with less YSP/premium points.
- 54) Re the Safe Harbor: We're supposed to present the lowest rate loan for which the borrower likely qualifies. That will always be the lowest rate offered by HSOA since, if borrower qualifies for a 5% fixed loan, they will qualify for any rate less than that.
- a) The purpose of providing options under the Safe harbor rule is to provide the following:
 - i) Loan with the lowest rate
 - ii) Loan with the loan total origination point/fee and discount points
 - iii) Loan with the lowest rate with no risk factors.
- 55) I believe it has been said that the Lender Paid compensation is not a Finance Charge. As such it would not enter into a State High Cost test; however, in example #2 it appears that my understanding may not be accurate - please advise.
- a) Lender paid compensation is not an APR Fee/Finance Charge
 - b) Some high cost tests include all fees paid directly or indirectly to the broker. This means that for a particular high cost test, the lender paid broker comp may be included. Refer to the DocMagic High Cost Anti-predatory Lending page link in the Important Links section for details on the federal and state high cost tests,

Home Saving of America
Regulation Z - LO Compensation & Anti-steering Q & As

- 56) If the YSP/Premium points (interest credit) is less than the lender paid comp, your example state this is allowed. So why wouldn't we always do lender paid and give the borrower the par rate? Please confirm.
- a) This sounds like a business decision. The borrower may want to pay a higher rate so the premium points can be used to lower 3rd party fees. Here is an example:
 - i) Broker/HSOA Lender Paid Compensation Agreement: 2 points.
 - ii) Standard HSOA rate sheet: line of pricing 1 point
 - iii) Broker's pricing page in eHome: 1 discount point (cost). The line of pricing has been adjusted based on the compensation agreement with the broker.
 - iv) In this case the borrower pays a lower interest rate and pays the discount point.
 - v) If the borrower is agreeable to a line of pricing with a higher interest rate and premium points, the premium points could be used by the borrower for 3rd party fees.
 - vi) What you decide is based on your borrower's circumstances.
- 57) Does an owner of a company have to be salaried to do Borrower Paid Comp.?
- a) Refer to the FRB interpretation and you counsel of choice.
- 58) If my lender paid broker comp is set at 2.0% but the actual YSP/premium points is 1.25%, will I get paid the 1.25%?
- a) You will be paid 2 points per the broker/HSOA lender paid comp agreement. For Example:
 - i) Broker/HSOA Lender Paid Compensation Agreement: 2.00 points.
 - ii) Standard HSOA rate sheet: line of pricing 3.25 premium points
 - iii) Broker's pricing page in eHome: 1.25 points premium points. The line of pricing has been adjusted based on the compensation agreement with the broker.
 - iv) The premium points can only be used by the borrower for 3rd party fees, prepaid interest and initial escrow deposit.
 - b) Another example:
 - i) Broker/HSOA Lender Paid Compensation Agreement: 2.00 points.
 - ii) Standard HSOA rate sheet: line of pricing 1.00 premium points
 - iii) Broker's pricing page in eHome: 1.00% discount points (costs). The line of pricing has been adjusted based on the compensation agreement with the broker.
 - iv) The borrower can pay the discount points.
- 59) Anti Steering: A Mortgage broker has a borrower that would like a loan with 5.25% rate and a minimum discount. The broker identifies that both HSOA and Lender XYZ offer a 5.25% rate with a 0.283 discount. The broker has a predetermined compensation level of 2.5% from HSOA and 2.0% from Lender XYZ. These are best available loans for which the borrower qualifies.
- a) May the broker present the HSOA rate option because the compensation level is higher?
 - i) Yes, the anti-steering provision is not violated when the broker directs the borrower to loan that will result in greater compensation to the broker if terms and conditions on that loan are the same as others available through the broker.
 - b) If in the above example, XYZ had .100 discount instead of .283 discount at HSOA, would your answer be different?
 - i) If the borrower wanted the lowest costs (less discount points), you would offer the loan from XYZ.

Home Saving of America
Regulation Z - LO Compensation & Anti-steering Q & As

- 60) Is your company's underwriting fee deducted from lender paid commission, or is it paid separately by the borrower at closing?
- a) No fees are deducted from the broker's lender paid compensation. Lender paid compensation is paid per the Broker/HSOA compensation agreement in effect.
 - b) The HSOA Admin Fee is disclosed on the GFE in Block1 and paid by the borrower.
- 61) Is there a minimum/maximum compensation (commission) amount required? If so, what is it?
- a) Home Savings allows brokers to set a minimum and maximum amount of compensation to be paid on each loan. This amount is determined by the broker based on your business requirements.
- 62) How are we showing this on the fee worksheet and the GFE? Let's say we agree to 1.5% on lender paid option. Where we enter credit for rate do we enter the 1.5% as well as any credit to the borrower that is associated with the rate? What happens when the rate comes at a cost to the borrower
- a) The lender paid broker compensation is listed in Block 1 of the GFE. It is not an APR Fee/Finance Charge. It is also listed in Block 2 of the GFE as a credit. Refer to the HSOA LO Comp GFE Scenarios on the HSOA website, Resource tab.
 - b) For no cost scenarios refer to the RESPA Roundup on HUD's RESPA Website or on the HSOA website Resource tab
- 63) Even though we are signing all of these lender agreements, we can still choose borrower paid fees on any loan?
- a) Yes. A broker can choose lender paid compensation or borrower paid compensation on any loan.
- 64) Does the lender paid option and borrower paid option need to be the same on the % of compensation?
- a) No. The lender paid compensation is per the Broker/HSOA lender paid compensation agreement.
 - b) Borrower paid compensation is negotiated between the broker and the borrower and is subject to the standard HSOA maximum (far lending) limits.
- 65) If we chose lender paid, at 2%, and borrower wants a no cost loan, can we increase rate/premium to cover 3rd party fees?
- a) You can select a line of pricing with premium points to cover 3rd party fees.
- 66) How will you ensure compliance? Will the sale of your loan be subject to verifying the loan officer received the right commission?
- a) We will implement system controls and audits as required to ensure compliance.
 - b) Investors will require compliance with this regulation as they do all other regulations.

Home Saving of America
Regulation Z - LO Compensation & Anti-steering Q & As

- 67) **Safe Harbor:** If HSOA is not a lender that has closed at least (1) loan within last 30 days with Broker or has not closed at least (25) loans in last year, does the Anti-steering requirements, require HSOA to be listed in the choices of the Safe harbor?
- a) To qualify for the safe harbor, the Loan Originator must obtain and review loan options from a significant number of the creditors with which the loan originator **regularly** does business. For this purpose, a loan originator regularly does business with a creditor if:
 - i) There is a **written agreement between the originator** and the creditor;
 - ii) The creditor has extended credit secured by a dwelling to **one or more** consumers during the current or previous calendar month; or
 - iii) The creditor has extended credit secured by a dwelling **twenty-five or more** times during the previous twelve calendar months
- 68) We will be **outsourcing processing** when the market picks up. The **processing firm charges** \$450 per loan. Would this be included in our lender paid comp limit, or would it be treated like credit rpt or appraisal fees
- a) Lender paid broker comp: this fee cannot be charged separately. It must be included in your broker/HSOA Lender Paid Comp Agreement. For example you could increase the percent requested or include a percent plus a flat fee to accommodate this expense.
- 69) If our lender comp plan specifies 2 points, we have to select a rate for the borrower that will pay that amount, correct? If so, how is that any different than what we are doing now?
- a) You will be paid 2 points per the broker/HSOA lender paid comp agreement.
 - b) Example:
 - i) Standard HSOA rate sheet: line of pricing 3.25 premium points
 - ii) Broker's pricing page in eHome: 1.25 points premium points. The line of pricing has been adjusted based on the compensation agreement with the broker.
 - iii) The premium points can only be used by the borrower for 3rd party fees, prepaid interest and initial escrow deposit.
 - c) Example:
 - i) Standard HSOA rate sheet: line of pricing 1.00 premium points
 - ii) Broker's pricing page in eHome: 1.00 discount points (costs). The line of pricing has been adjusted based on the compensation agreement with the broker.
 - iii) The borrower can pay the discount points.
- 70) On Lender paid, can the broker put a compensation as a % PLUS a flat fee or must it just be a flat %.
- a) It can be a percent plus a flat fee.
- 71) Follow up to minimum compensation payout - some lenders are paying a minimum of 1,500 to avoid brokers not doing smaller loans. What is HSOA minimum dollar payout or can we put this on our comp plan that we want a min \$1,500 or 2% of loan amount whichever is higher.
- a) You can select the percent and the minimum and maximum amount that will be paid.
 - b) Lender Paid Broker Comp Example: You can request 2% on every loan with a minimum of \$1,500 and a maximum of \$5,000. In this example if the percentage of the loan amount results in an amount that is less than \$1,500, you will be paid \$1,500. If the percentage is greater than \$5,000 you will be paid \$5,000.

Home Saving of America
Regulation Z - LO Compensation & Anti-steering Q & As

- 72) If the loan fails a high cost test and is lender paid comp. Is the loan denied or what options are there to make it not high cost?
- a) HSOA does not originate high cost loans
 - b) Loans that fail a high cost test must be evaluated on a case by cases basis by reviewing the criteria for the particular high cost test.
 - c) Generally fees that are included in the high cost criteria must be decreased. However, lender paid broker comp cannot be adjusted/decreased in order to pass a high cost test.
 - d) You could consider changing to borrower paid compensation and decreasing fees below the threshold,
- 73) Can you clarify if we can have the range for comp? We are typically using 1.5; 1.625, and 1.75 for our lenders; I though HSOA was going to allow between 1.5 and 1.75% is this true?
- a) The lender paid broker Comp Agreement lists the percentages of the loan amount that can be selected. The Broker/HSOA Lender paid comp agreement established the amount to be paid on each loan.
- 74) Does HSOA have a standard Borrower Paid Agreement that we can use?
- a) Under Reg Z, if you are opting for Borrower paid broker comp, there are no agreements required by Reg Z. Under the borrower paid compensation option the broker and the borrower negotiate the terms much as you did in the pre-April 1, 2011 environment.
 - b) However, the Mortgage Broker Fee Agreement is still in use and you would continue to use the form you use today.
- 75) What happens to interest rate extensions (fees) on Lender paid comp?
- a) They must be paid by the borrower. The broker cannot decrease their compensation to pay these fees. .
- 76) I think we need a complete list of all states in which Lender Paid Comp is a Finance Charge and impacts State high cost tests.
- a) Refer to the Important Links at the top of this document for the link to the DocMagic High Cost Anti-predatory Lending page.
- 77) If a lock extension has to be paid by borrower, could that trigger a new GFE and a redraw of docs if docs were already drawn.
- a) A rate lock or a rate lock extension is always a changed circumstance that requires a revised GFE.
- 78) Who will sign the lender paid broker compensation form with HSOA - the mortgage broker or each loan originator?
- a) The Mortgage Broker will sign the lender paid compensation agreement with HSOA.
- 79) Where can I find the Statement of Compliance?
- a) On the HSOA Wholesale website under the Forms tab.

Home Saving of America
Regulation Z - LO Compensation & Anti-steering Q & As

- 80) On page 13 of the presentation, it indicates that compensation can be based upon "a percentage of the loan amount (points) or a combo of the two: \$500 + .50bp. I did not hear this explained other than an explanation of the minimum or maximums...
- a) It can be a percentage with minimum and maximum: 2% minimum \$1,500, Maximum \$5,000.
 - b) It can be a percentage with an additional fixed/flat amount: 2% plus \$500.
- 81) If a company has multiple branches...can the branch Mgr. sign for his branch, or does the Lender comp plan need to come from their corporate office and be applicable for all their branches? If a broker has HSOA recognized branches. Can the branches have a different comp package than the main office?
- a) There will be one compensation agreement with the brokerage entity.
- 82) Can you please elaborate on disclosing a GFE - boxes 1, 2, and 3 on page 2 - prior to April 1 but not locking until after April 1, and how a broker could protect themselves from under disclosing and/or being out of compliance with the GFE and fees?
- a) If HSOA receives an application package from a broker prior to April 1, it falls under the pre-April 1 2011 rules. It can be locked post April 1, 2011 – but based on the application date it will follow the pre-April 1, 2011 compensation rules.
- 83) I was told there are limits being put on processing fees - please confirm this is correct.
- a) Lender Paid Compensation: Processing fees (in-house or contracted with another party) are a cost of doing business and must be considered when setting the compensation amount requested from HSOA in the Agreement. GFE block 1 will include the lender paid compensation per the Agreement in effect and the HSOA Admin fee.
 - b) Borrower Paid Compensation: Fees and charges are negotiated between the borrower and the broker. Block 1 fees will look like they do today.
- 84) If I chose Lender Paid compensation, then I cannot charge a credit report fee?
- a) 3rd party fees must be paid by the borrower - listed as POC on the HUD-1 or can be disclosed in block 3 of the GFE and paid at closing. However, to be paid at closing, they are paid to the provider NOT to the broker.
- 85) On lender paid Comp how do we handle it if the borrower wants to pay discount points to get a lower rate, is that still possible - since in the past when borrower paid discount points we did not get lender paid so then how do we price the loan ?
- a) Assume you will be paid 2 points per the broker/HSOA lender paid comp agreement.
 - b) Example:
 - i) Standard HSOA rate sheet: line of pricing 3.25 premium points
 - ii) Broker's pricing page in eHome: 1.25 points premium points. The line of pricing has been adjusted based on the compensation agreement with the broker.
 - iii) The premium points can only be used by the borrower for 3rd party fees, prepaid interest and initial escrow deposit.
 - c) Example:
 - i) Standard HSOA rate sheet: line of pricing 1.00 premium points
 - ii) Broker's pricing page in eHome: 1.00 discount points (costs). The line of pricing has been adjusted based on the compensation agreement with the broker.
 - iii) The borrower can pay the discount points.

Home Saving of America
Regulation Z - LO Compensation & Anti-steering Q & As

- 86) I just looked at the compensation form- I know our brokerage sent one already. I don't see how this can be different per LO- but I thought you said it is to be set for each LO - advise
- a) There is one agreement between HSOA and the brokerage entity. Each LO who is an employee of the brokerage will have an agreement with the brokerage entity.
- 87) On borrower paid - if client wants to lock rate at 3 rebate (premium points) so they receive credit that extends to cover the direct points broker is charging- in the end getting a no cost loan- is that OK? This is not considered lender paying- is it?
- a) No. Premium points can be used by the borrower to pay 3rd party fees. The broker can be paid directly by the borrower in cash, financed in the loan amount or via seller concessions (seller concessions are considered borrower's funds). The premium points cannot be applied to broker fees.
- 88) Will you have a safe harbor form that you require us to use to do the three examples?
- a) HSOA will require a **Statement of Compliance** from brokers stating they complied with the anti-steering/Safe Harbor rule.
 - b) HSOA will provide a "general purpose Loan **Options/Safe Harbor form** that brokers can choose to use.
- 89) If the Broker/lender comp agreement is 1.5% for the broker compensation and a rate is chosen given 3.5% premium points - can't the 2% over the 1.5% go to pay for the borrowers fees?
- a) Standard HSOA Rate sheet: 3.5% premium points
 - b) eHome/Loan Score pricing screen for the Broker: 2.0% premium points. The line of pricing has been adjusted for the broker's compensation agreement.
 - c) The 2% premium points can be use by the borrower (only) to pay 3rd party fees, prepaid interest or initial escrow/impound deposit.