



ROSS MORTGAGE CORPORATION

ANNOUNCEMENT

Monday, February 28, 2011

Regulation Z Amendment Loan Originator Compensation

Regardless of the application date, all loans must be **received and locked with RMC Wholesale on or before 5pm(EST) Friday, March 25th, 2011** to close under the existing compensation rules. Any loan **received or locked, after** Friday, March, 25th, will be subject to the new Loan Originator Compensation regulations.

Summary of Regulations

- All loans applications received by the creditor on or after April, 1st, 2011, will be subject to the Federal Reserve Board's amendment to Regulation Z related to loan originator compensation and anti-steering regulations.
- The prohibitions related to mortgage originator compensation and anti-steering apply to all closed-end consumer loans secured by a dwelling or real property that includes a dwelling.
- The rule applies to loan originators that are defined to include mortgage brokers, who may be natural persons **or** mortgage broker companies. This includes companies that close loans in their own names but use table-funding from a third party. The term loan originator also includes employees of creditors and employees of mortgage brokers that originate loans (i.e., loan officers).
- The new regulation restricts compensation paid to a mortgage broker or any other loan originator, by a creditor, or any other person, whether directly or indirectly, that is based on mortgage transaction's terms or conditions, except for the amount of credit extended (i.e., the loan amount).
- The rule also prohibits a loan originator from steering a consumer to a loan that provides the loan originator with greater compensation, as compared to other transactions the loan originator presented to or could have presented to the consumer, unless the transaction was in the consumer's interest.
- Compensation will also be limited to being received by the consumer or the creditor but under no circumstance both.

RMC Wholesale Compensation Options

RMC Wholesale will be offering options on a per loan basis to choose between borrower paid and lender paid compensation. This feature will be worked into our live pricing engine to provide you with real time program options to meet your consumer's best interest. RMC will also offer "Premium Pricing" to assist your borrowers in paying for third party closing costs.

- **Lender Paid Compensation**

- Compensation will be based on established terms between the broker company and RMC Wholesale that may be negotiated on a periodic basis
- The amount of compensation paid to the broker company will not vary based on loan terms and/or conditions
- RMC Wholesale will pay the mortgage broker a percentage of the loan amount based upon the selected compensation level
- All loan level pricing adjustments will be factored into the borrower's Premium Pricing offered on the rate selected
- The borrower will be permitted to pay discount points in order to reduce the interest rate on the loan
- The broker company and/or loan officer must not collect any fees or compensation directly or indirectly from the consumer on any Lender Paid transaction
- Brokers will be prohibited from crediting any portion of their compensation to the borrower- third party closing costs may be financed into the loan amount, paid for out of the borrower's Premium Pricing based on the interest rate chosen, or paid for by the borrower in cash
- If Premium Pricing exceeds Third-Party costs, RMC will permit a principal reduction at closing up to \$500; if the Premium Pricing exceeds Third-Party costs by more than \$500, the interest rate will need to be lowered
- Broker owners must establish compensation agreements with their loan officers that comply with the Federal Reserve's final rule

- **Borrower Paid Compensation**

- Compensation will be negotiated directly with the consumer by the mortgage broker
- No compensation will be paid to the mortgage broker by the lender
- Although compensation may vary on a per loan basis, it must still fall within RMC Wholesale's maximum fee thresholds (currently, Box 1 of the GFE may not exceed 5% of the Total Loan amount- this includes the RMC Wholesale Underwriting Fee)
- All loan level pricing adjustments will be factored into the borrower's Premium Pricing offered on the rate selected
- The borrower will be permitted to pay discount points in order to reduce the interest rate on the loan
- The borrower must pay the negotiated compensation in cash or by financing the amount into the loan amount- Premium Pricing may NOT be used to pay for the broker compensation
- If Premium Pricing exceeds Third-Party costs, RMC will permit a principal reduction at closing up to \$500; if the Premium Pricing exceeds Third-Party costs by more than \$500, the interest rate will need to be lowered
- Brokers will be permitted to credit a portion of their compensation to pay for third party closing costs or RESPA tolerance violations
- Broker owners must establish compensation agreements with their loan officers that comply with the Federal Reserve's final rule- *compensation from the broker owner to its loan officers for any particular transaction may be comprised only of a salary or hourly wage. Other aggregate bonus related compensation from the broker client to its loan officers cannot be based on prohibited terms and conditions.*

Sample Rate Sheets

Borrower Paid Compensation					Lender Paid Compensation					
FHA 30 Yr Fixed					FHA 30 Yr Fixed					250bps Lender Paid Compensation
Rate	20 Day	35 Day	50 Day	65 Day	Rate	20 Day	35 Day	50 Day	65 Day	
4.375	98.875	98.500	98.250	98.000	4.375	96.375	96.000	95.750	95.500	
4.500	99.625	99.375	99.000	98.875	4.500	97.125	96.875	96.500	96.375	
4.625	99.875	99.500	99.125	99.000	4.625	97.375	97.000	96.625	96.500	
4.750	101.750	101.500	101.125	101.000	4.750	99.250	99.000	98.625	98.500	
4.875	102.250	101.875	101.625	101.375	4.875	99.750	99.375	99.125	98.875	
5.000	102.875	102.500	102.250	102.125	5.000	100.375	100.000	99.750	99.625	
5.125	103.125	102.750	102.500	102.250	5.125	100.625	100.250	100.000	99.750	
5.250	104.000	104.000	104.000	103.750	5.250	101.500	101.500	101.500	101.250	
5.375	104.000	103.875	103.500	103.375	5.375	101.500	101.375	101.000	100.875	

Loan Scenario: Loan Amount of \$150,000, Interest Rate of 5% for a lock period of 20days.

- **Borrower Paid Example:**

- Borrower would receive Premium Pricing of 2.875%, or \$4,312.50, to apply towards third party closing costs- premium pricing must NOT be used to pay any portion for the broker compensation
- Compensation will be negotiated directly between the borrower and the mortgage broker, and can vary on a per loan basis

- **Lender Paid Example:**

- Borrower would receive Premium Pricing of 0.375%, or \$562.50, to apply towards third party closing costs
- RMC Wholesale will compensate the broker 2.5% of the loan amount or \$3,750.00

More to Come...

Over the next few weeks, be on the lookout for more RMC Announcements and information, such as:

- Anti-Steering requirements and/or disclosures
- Lender Paid Compensation Selection Agreements

Moving Forward Give Careful Consideration to...

- Compensation level desired from RMC and your other lenders
- LO Compensation levels between you and your loan originators
- Fixed overhead costs and variable costs per loan