



Loan Originator Compensation Policies Lender-Paid & Borrower-Paid

3.15.11

ClearPoint Funding is committed to keeping you well informed on the new TILA act Regulations released by the Federal Reserve. In this bulletin, you will find details on Lender-paid and Borrower-Paid Loan Originator Compensation as implemented by ClearPoint Funding

Scope

ClearPoint Funding (CPF) will apply these broker compensation policies and procedures to all closed-end residential mortgage loans.

Effective Dates

March 15, 2011

Brokers Partners will receive guidance on Lender-paid compensation options

March 25, 2011

Lender-Paid Compensation Tiers, (selection) must be submitted to CPF.

April 1, 2011

The new Federal Reserve TILA regulations are effective. The new TILA Regulation Z rules prevent mortgage loan originators from:

- Receiving compensation from both the consumer and another person or entity on any given transaction.
- Receiving compensation based on the loan terms or conditions (such as product type, credit scores, etc.) other than the amount of the credit extended.
- Steering a consumer towards any specific loan transaction based on mortgage originator compensation.

Compensation may be received from either:

- The Lender: CPF; or
- The Consumer, but not both

Broker Compensation Selection Options:

Beginning April 1, 2011 CPF will provide pricing based on the compensation tier selected by the Broker Partner:

- Lender-Paid
- Borrower-Paid

Broker Compensation Selection Changes:

Loans that are disclosed with **Lender** Paid compensation can change to Borrower Paid compensation at any time; as long as the origination charges in Box 1 of the Good Faith Estimate do not increase or exceed what was disclosed in Box 1 on the previously disclosed Good Faith Estimate with Lender Paid Compensation.

Loans that are disclosed with **Borrower** Paid compensation can **ONLY** change to Lender Paid compensation up until ClearPoint Funding discloses the initial lender disclosures. Once ClearPoint Funding accepts a loan and discloses it as Borrower Paid compensation, the loan cannot change and must remain as Borrower Paid compensation.

Broker Compensation Selection Plans

A Broker must maintain written compensation plans for all loan originator employees in compliance with applicable law and regulations, including but not limited to, the new TILA rules and must certify to CPF its' compliance with such requirements. CPF recommends the Broker consult with their legal counsel for TILA compliance advice.

- CPF will not require the broker to submit their compensation agreements.
- The amount of CPF Lender-Paid Broker Compensation will be based on the percentage of the principal loan amount and will not vary from one loan transaction to another during a 30-day period. CPF will also allow a minimum dollar amount to be selected in addition to the percentage tier.
- The Broker Partner will receive compensation from the Lender, CPF, only and not from any other party.
- The Broker Partner may not reduce the Lender-Paid Broker Compensation by offering concessions to the Borrower or to correct consumer disclosure (e.g. RESPA, GFE, or Initial TIL) tolerance violations
- The Broker Partner may not pay third-party fees or other costs for the Borrower. Third-party fees and other costs must be paid from the Borrower's own funds or the loan proceeds. The Borrower may also use interest rate credits to fund third-party fees, but not broker compensation
- The Borrower may pay bona-fide discount points to CPF to obtain a lower interest rate.

Selecting your Lender-Paid Compensation Level:

- The Broker must select a CPF Lender-Paid Compensation Level by March 25, 2011.
- CPF offers 12 Broker Compensation Tiers to our Broker Partners for selection as well as a minimum dollar fee. Please contact your Account Executive if you have any questions regarding this.
- If the Broker Partner fails to select a compensation level, the CPF paid compensation level will default to Tier 3 and Option 2. 1.5% and a minimum of \$2000.00 per loan
- A Broker Partner may select a different compensation level every 30 days.
- A Broker must notify CPF, in writing, of its intention to select a new

Lender-Paid Compensation Level in the election window. Details to follow.

- ❑ A Broker is not required to change or reaffirm its' compensation level every 30 days. Unless CPF receives written notice of the Broker Partner's selection of a different compensation level within the election window, the Broker Partner's Lender-Paid Compensation Level will automatically renew for the next 30 day period.

Borrower-Paid Compensation:

- ❑ Borrower-Paid Broker Compensation is determined by agreement between the Broker Partner and the Borrower.
- ❑ The amount of broker compensation charged to the Borrower may vary from one loan transaction to another.
- ❑ The Borrower may only compensate one loan originator, either the Broker Partner or the Broker Partner's loan originator employee, but not both
- ❑ Since the Broker Partner receives no compensation from CPF, the Broker Partner has the option to reduce compensation to pay some or all of the third-party fees or other Borrower loan expenses, offset consumer disclosure tolerance violations, or offer other pricing concessions.
- ❑ The Borrower may use own funds or loan proceeds to fund third-party fees.
- ❑ The Borrower may also use interest rate credits to fund third-party fees, but not broker compensation.
- ❑ The Borrower may pay bona-fide discount points to CPF to obtain a lower interest rate.

At ClearPoint Funding we understand this is a new process for all of our valued Broker Partners and Loan Originators. We are committed to providing you with options that will allow and support your continued success.

If you have any questions, please do not hesitate to contact your Account Executive.