

MORTGAGE LOAN ORIGINATOR COMPENSATION CHANGES

*Regulation Z – Effective April 1, 2011
(Delayed until April 6th, 2011)*

08/05/2011

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Overview of Presentation

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MORTGAGE LOAN ORIGINATOR COMPENSATION CHANGES

The rule that will be covered in this WebEx applies only to Broker Originator Compensation

Purpose of the changes to Regulation Z:

- To protect mortgage borrowers from unfair, abusive, or deceptive lending practices; and
- Help ensure that Borrowers can choose from loan options that include the lowest interest rate and lowest amount of points and origination fees.
- Effective Date is April 1, 2011
 - Changes go into effect for applications & loan submissions received by PBM on or after, April 1st, 2011
 - Applications and loan submissions received by the lender and entered into the system prior to April 1, 2011 are not affected by this change
 - Investment Non-Owner Occupied properties are exempt from this rule unless the loan purpose is Cash-Out. A Cash-Out transaction is not exempt from the rule and must adhere to the requirements for a Lender or Borrower paid transaction.
 - Applications under PBM's Pre-Approval Program (no property) received by PBM prior to April 1st will be subject to pricing and compensation rule restrictions based on the date the property is identified.

BASIC COMPONENTS OF THE NEW RULE

1. Loan Originators cannot receive compensation based directly, or indirectly, on any loan term other than the loan amount.
 - Compensation based on interest rate is no longer allowed.
2. Loan Originators cannot receive compensation both from the borrower and the creditor.
 - Compensation may only come from one source – the borrower or the lender. Compensation from borrower or seller that is collected by the lender is considered Lender Paid Compensation.
3. Loan Originators must offer loan terms to the Borrower that are in the Borrower's best interest.
 - Prohibits a loan originator from directing or “steering” a borrower to a lender or specific loan program offering less favorable terms in order to increase the loan originator's compensation.

WHOSE COMPENSATION IS SUBJECT TO THE NEW RULE?

- A “loan originator”: a person, with respect to a particular transaction, who for compensation or other monetary gain, or in expectation of compensation or other monetary gain, arranges, negotiates, or otherwise obtains an extension of consumer credit for another person.

The term “Loan Originator”:

- Includes Mortgage Brokers, and Mortgage Broker Companies that close loans in their own names.
- Employees of a Creditor that Originate Loans (Loan Officers)
 - The rule applies whether the creditor’s payment is made to a natural person, including an employee of the creditor, or a business entity.

WHOSE COMPENSATION IS NOT SUBJECT TO THE NEW RULE?

- Lenders (creditors) that originate loans closed in their own names and with their own source of funds.
- Servicers modifying an existing loan
- Managers, administrative staff and other employees of creditor and loan originators:
 - Who do not originate loans and
 - Whose compensation is not based on whether any particular loan is originated

ONE SOURCE OF COMPENSATION

Loan Originators cannot receive compensation both from the Borrower and the Creditor

- *Designation of the source of loan originator compensation must be made prior to rate lock. The total compensation must come from one specific source.*
 - *Lender Paid Transactions: Loan Officer Compensation must come from the Lender through YSP credit or collected by the lender from the borrower or seller.*
 - *Borrower Paid Transactions: Loan Officer Compensation must come from Borrower funds – paid by the borrower at closing with their own funds or from the proceeds of the loan. Compensation paid by the seller or other third party is considered borrower funds.*

What about YSP?

- YSP, also known as “premium pricing” or “lender credits”, are associated with a rate above par, chosen by the borrower.
 - The Federal Reserve Board prefers the term “Lender Credits” instead of YSP.
- Prohibitions have been placed on how “lender credits” can be applied to loan transactions.
 - Lender credits will be paid (credited) to the borrowers. Lender credits can be used to pay third-party costs, lender fees and origination in its entirety (on lender-paid transactions).

Borrower-Paid versus Lender-Paid

Compensation:

- Compensation is any portion of a fee or charge that is not passed through to a non-affiliated settlement service provider.
- Compensation includes all origination charges, processing fees and any other fee retained by the loan originator or retained by an affiliate of the loan originator.
- Income retained by an “affiliate” of a Loan Originator is counted as Loan Originator’s income.

	BORROWER-PAID COMPENSATION	LENDER-PAID COMPENSATION
Compensation Selection	Loan Originator negotiates compensation with the borrower directly.	Broker Owner selects PBM Lender-Paid Compensation Plan. The percentage paid is an all inclusive fee. Broker Owner may also include a Flat Fee amount along with their comp plan.
Compensation to Broker Owner	Broker Owner may vary compensation per transaction. Although the compensation amount paid by the Broker to the Loan Originator may only be based on salary or hourly wage – without commission.	Compensation to Broker Owner is based on a pre-determined fixed percentage of the loan amount and a Borrower Flat Fee selected. Compensation is consistent with all transactions regardless of product, purpose of loan, or loan terms.
Compensation Changes	Broker Owner can reduce compensation fee and/or pay RESPA tolerance restitution.	Changes to compensation on an individual transaction is not allowed.
Compensation Agreement – with Loan Originator	The broker-owner will establish compensation agreements for their loan originators that cannot vary based on prohibited loan terms, and conditions or a proxy for those loan term and conditions. Compensation paid must meet all regulatory restrictions.	The broker-owner will establish compensation agreements for their loan originators that cannot vary based on prohibited loan terms and, conditions or a proxy for those loan term and conditions. Compensation cannot differ from one transaction to another and must meet all regulatory requirements.

Borrower-Paid versus Lender-Paid (cont.)

	BORROWER-PAID COMPENSATION	LENDER-PAID COMPENSATION
Compensation Payments Allowed:	<p>Compensation can be paid in cash, or financed through the loan.</p> <p>Compensation may be paid by the seller (or other third party). The credit must cover the total amount of the compensation – No partial payments are allowed.</p>	<p>PBM will pay Broker-Owner in accordance with the compensation plan selected.</p>
Compensation Payments Not Allowed:	<p>Broker Owner cannot receive compensation from Provident Bank Mortgage.</p> <p>Lender credits from increased interest rate (i.e. YSP) cannot be used to pay broker compensation.</p>	<p>Broker Owner cannot receive compensation from any other source, including directly from the borrower.</p> <p>Broker Owner cannot collect a fee for any form of compensation from any other party, including the borrower.</p>
Lender Credits (YSP)	<p>Lender credits will be paid to the borrower by the lender. The total amount of any lender credit cannot exceed the total of third-party closing costs. Allowable Closing costs are listed below.</p>	<p>Lender credits will be paid to the borrower by the lender. The total amount of any lender credit cannot exceed the total of third-party closing costs. Allowable Closing costs are listed below.</p>
Lender Cost (market discount)	<p>Market Discount to buy-down interest rate.</p> <ul style="list-style-type: none"> -May be paid by the borrower. -May be paid by broker, lender, or any third party 	<p>Market Discount to buy-down interest rate.</p> <ul style="list-style-type: none"> -May be paid by the borrower -May be paid by lender -May be paid by third party via a credit to the borrower. -MUST NOT BE PAID BY BROKER.

Borrower-Paid versus Lender-Paid

	BORROWER-PAID COMPENSATION	LENDER-PAID COMPENSATION
Closing Costs	<p>GFE – Settlement Charges such as:</p> <ul style="list-style-type: none"> -Credit report fees, appraisal, notary, escrow and title. -Lender Fees (including: flood, tax service) -Impound amounts (insurance and taxes) <p>Third Party Processing Fees may be charged.</p>	<p>GFE – Settlement Charges such as:</p> <ul style="list-style-type: none"> -Credit report fees, appraisal, notary, escrow and title. -Lender Fees (including: flood, tax service) -Impound amounts (insurance and taxes) <p>Third Party Processing Fees MAY NOT be charged.</p>
Closing Costs – payment options	<ul style="list-style-type: none"> -Paid by borrower using cash at closing -Paid by a third party (including broker) -May be financed through the loan or interest rate -May be paid through Lender Credit -May be paid by Broker 	<ul style="list-style-type: none"> -Paid by borrower using cash at closing -Paid by a third party (EXCLUDING broker) -May be paid through Lender Credit
Broker-Owned Escrows Companies	Affiliates may not be used for title and settlement services. (Under Review)	Affiliates may not be used for title and settlement services. (Under Review)

Example of Borrower-Paid vs. Lender-Paid Plan 2.00%

Rate Sheets

Borrower-Paid		
<u>30-Year Fixed Rate Loan</u>		
<u>Rate</u>	<u>15 Day</u>	<u>30 Day</u>
5.125	-3.50	-3.25
4.999	-3.00	-2.75
4.875	-2.50	-2.25
4.750	-1.00	-0.75
4.625	PAR	0.25
4.500	.750	1.00

Lender-Paid (Example of Plan 2.00%)		
<u>30-Year Fixed Rate Loan</u>		
<u>Rate</u>	<u>15 Day</u>	<u>30 Day</u>
5.125	-3.50 + 2.00	-3.25 + 2.00
4.999	-3.00 + 2.00	-2.75 + 2.00
4.875	-2.50 + 2.00	-2.25 + 2.00
4.750	-1.00 + 2.00	-0.75 + 2.00
4.625	PAR + 2.00	.25 + 2.00
4.500	.75 + 2.00	1.00 + 2.00

- If a credit is selected, the borrower receives this amount as a lender credit. The lender credit to the borrower cannot be used to pay broker compensation.
- The amount of the lender credit can only be used to pay third party closing costs and lender fees.
- If the selected rate shows a cost, then the borrower (or allowable party) pays this amount to the lender, PBM.

- The broker owner will receive the pre-determined compensation amount agreed upon with Provident Bank Mortgage.
 - Example uses a 2.00% Comp Plan
 - The amount of 2.00% would be agreed upon between PBM (Lender) and the Broker Owner for a set period of time, and apply to all transactions submitted during this period.
- If the selected rate shows a credit, then the borrower can use the lender credit to pay third party closing costs and lender fees.
- If the selected rate shows a cost, then the borrower (or allowable party via credit to the borrower) pays this amount to the lender, PBM. Cannot be paid by the Broker.

GFE – ORIGINATION CHARGES

- Block 1- Our origination charge
 - Includes lender and mortgage broker compensation as well as all other charges that the lender and mortgage broker involved with the transaction will receive.
- Block 2 – Your credit or charge (points) for the specific interest rate chosen.
 - For transactions with a mortgage broker this equals the sum of all payments to the mortgage broker from the lender less the price paid for the loan by the lender.

Good Faith Estimate – Borrower-Paid (Credit)

Loan closes at 4.875% rate with **-2.50% credit** to the Borrower (as shown on Borrower-Paid rate sheet)

- Loan Amount = \$100,000
 - PBM Fee = \$1,140
 - Broker Comp = \$2,000 (2.00%)

Your Adjusted Origination Charges	
1. Our origination charge This charge is for getting this loan for you.	\$3,140.00
2. Your credit or charge (points) for the specific interest rate chosen <input type="checkbox"/> The credit or charge for the interest rate of <input type="text"/> % is included in "Our origination charge." (See item 1 above.) <input checked="" type="checkbox"/> You receive a credit of \$ <input type="text" value="2,500.00"/> for this interest rate of <input type="text" value="4.875"/> %. This credit reduces your settlement charges <input type="checkbox"/> You pay a charge of \$ <input type="text"/> for this interest rate of <input type="text"/> %. This charge (points) increases your total settlement charges. The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.	-\$2,500.00
A Your Adjusted Origination Charges	\$ 640.00

PBM Fee	\$1,140
+ Broker Comp	\$2,000
Total	\$3,140

Amount of **credit** shown on Borrower paid rate sheet at 4.875% rate (15 day price)

Good Faith Estimate – Borrower-Paid (Cost)

Loan closes at 4.75% rate with **.75% cost** to the Borrower (as shown on Borrower-Paid rate sheet)

- Loan Amount = \$100,000
 - PBM Fee = \$1,140
 - Broker Comp = \$2,000 (2.00%)

Your Adjusted Origination Charges	
1. Our origination charge This charge is for getting this loan for you.	\$3,140.00
2. Your credit or charge (points) for the specific interest rate chosen <input type="checkbox"/> The credit or charge for the interest rate of <input type="text"/> % is included in "Our origination charge." (See item 1 above.) <input type="checkbox"/> You receive a credit of \$ <input type="text"/> for this interest rate of <input type="text"/> %. This credit reduces your settlement charges. <input checked="" type="checkbox"/> You pay a charge of \$ <input type="text" value="750.00"/> for this interest rate of <input type="text" value="4.875"/> %. This charge (points) increases your total settlement charges. The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.	\$750.00
A Your Adjusted Origination Charges	\$ 3,890.00

PBM Fee	\$1,140
+ Broker Comp	\$2,000
Total	\$3,140

Amount of **cost** shown on Borrower paid rate sheet at 4.75% rate (30 day price)

Good Faith Estimate – Lender-Paid (Credit)

Loan closes at 4.875% rate with **-.50% credit** to the Borrower (as shown on Lender-Paid rate sheet)

- Loan Amount = \$100,000
 - PBM Fee = \$1,140
 - Broker Comp Plan = \$2,000 (2.00%)

Your Adjusted Origination Charges	
1. Our origination charge This charge is for getting this loan for you.	\$3,140.00
2. Your credit or charge (points) for the specific interest rate chosen <input type="checkbox"/> The credit or charge for the interest rate of _____ % is included in "Our origination charge." (See item 1 above.) <input checked="" type="checkbox"/> You receive a credit of \$ 2,500.00 for this interest rate of 4.875 %. This credit reduces your settlement charges. <input type="checkbox"/> You pay a charge of \$ _____ for this interest rate of _____ %. This charge (points) increases your total settlement charges. The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.	-\$2,500.00
A Your Adjusted Origination Charges	\$ 640.00

PBM Fee	\$1,140
+ Broker Comp Plan	\$2,000
Total	\$3,140

Credit of -.50 (-\$500) to Borrower in addition to credit equal to amt of Lender Paid comp at 2.00% = -\$2,000.
 Net total block 2 = -\$2,500
 (-\$500 credit & -\$2000 credit)

Good Faith Estimate – Lender-Paid (Cost)

Loan closes at 4.50% rate with **2.75% cost** to the Borrower (as shown on Lender-Paid rate sheet)

- Loan Amount = \$100,000
 - PBM Fee = \$1,140
 - Broker Comp Plan = \$2,000 (2.00%)

Your Adjusted Origination Charges	
<p>1 Our origination charge This charge is for getting this loan for you.</p> <p>2 Your credit or charge (points) for the specific interest rate chosen</p> <p><input type="checkbox"/> The credit or charge for the interest rate of <input type="text"/> % is included in "Our origination charge." (See item 1 above.)</p> <p><input type="checkbox"/> You receive a credit of \$ <input type="text"/> for this interest rate of <input type="text"/> %. This credit reduces your settlement charges.</p> <p><input checked="" type="checkbox"/> You pay a charge of \$ 750.00 for this interest rate of 4.5 %. This charge (points) increases your total settlement charges. The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.</p>	<div style="border: 1px solid black; background-color: #e6f2ff; padding: 2px;">\$3,140.00</div> <div style="border: 1px solid black; background-color: #e6f2ff; padding: 2px; margin-top: 10px;">\$750.00</div>
A Your Adjusted Origination Charges	\$ 3,890.00

PBM Fee	\$1,140
+ Broker Comp Plan	\$2,000
Total	\$3,140

Cost of 2.75 (\$2,750) to Borrower in addition to credit equal to amt of Lender Paid comp at 2.00% = -\$2,000.
 Net total block 2 = \$750 (\$2,750 cost & -\$2,000 credit)

Anti-Steering Safe Harbor Provisions

- ***Loan Originators must offer loan terms to the Borrower that are in the Borrower's best interest***

	Requirements for Anti-Steering Provision
Provision	<p>Present borrower with loan options from a significant number of creditors with whom the loan originator regularly does business that includes:</p> <ul style="list-style-type: none"> ✓ A loan with the lowest interest rate; ✓ A loan with the lowest interest rate with no risky features; and ✓ A loan with the lowest total dollar amount for origination points or fees and discount points. <p>Risky features include: Balloon, Interest-Only, Prepayment Penalty, etc.</p>
Presentation of Loan Options	<p>Loan Originator should present at least 3 loan options to the borrower to avoid “steering” them to a particular product.</p> <p>IF less than 3 loan options, the option(s) presented must satisfy all criteria.</p> <p>Note: Presentation of loan options does not need to be based off of PBM pricing</p>
Good Faith Qualification	<p>Loan Originator believes in good faith that the Borrower likely qualifies for the loan options presented.</p>
Documentation	<p>Documentation supporting compliance – Loan Originator must be able to provide documentation that loan offers meeting the safe harbor requirements were provided.</p>

PBM's Anti-Steering Requirements

- Submission Form - Loan Originator is required to sign PBM's Loan Originator Certification of Anti-Steering requirement on both Lender Paid and Borrower Paid transactions.
- Anti-Steering Disclosure of Loan Options signed by the borrower at the time of submission. A competitors version of this form that covers all requirements may be used.
- Mortgage Broker Fee Agreement
- Other Broker Requirements
 - Establish compensation plans for all loan officers, producing branch managers, and other staff subject to the rule.
 - Develop training materials to teach loan originators how to perform and document the anti-steering safe harbor provision.
 - Retain records to demonstrate compliance with the compensation rule and the anti-steering safe harbor for a minimum of two years.
 - Be prepared to supply PBM with your compensation policy upon request.

PBM Submission Form

PBM Submission Form - Rancho Cucamonga Wholesale			
Provident Loan Number	Submission Date	Submitting Broker/Branch	Phone Number
Branch / Broker Address		Email address:	Fax #
Processor/Phone		Loan Officer/Phone	PBM Account Executive:
Borrower(s):			
Property Address:			
Email Address:			
Loan Terms:	Occupancy:	Type:	PBM Program #:
Purchase <input type="checkbox"/>	O/Occupied <input type="checkbox"/>	SFR <input type="checkbox"/>	Rate Locked <input type="checkbox"/> Yes <input type="checkbox"/> No
Refi R/T <input type="checkbox"/>	Investment <input type="checkbox"/>	Condo <input type="checkbox"/>	Rate Lock No of Days
C/O Refi <input type="checkbox"/>	Second Home <input type="checkbox"/>	PUD <input type="checkbox"/>	Fixed <input type="checkbox"/>
N/C/O Refi <input type="checkbox"/>	DU Refi Plus <input type="checkbox"/>	Units <input type="checkbox"/>	ARM <input type="checkbox"/>
Streamline <input type="checkbox"/>	LP Access <input type="checkbox"/>	#	IO <input type="checkbox"/>
			Lock Exp. Date:
			Program Type
			IO <input type="checkbox"/> Conv <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/>
			Price Sheet Code Used for GFE Completion
			Date of Price Sheet Used for GFE Completion
Est. Value	Sales Price	PUD/Condo Name	Impounds (Check One) <input type="checkbox"/> Yes <input type="checkbox"/> No
\$0.00	\$0.00		1st Payment Date
Base Loan Amount	Total Loan Amount		Ratios
\$0.00	\$0.00		LTW/LTV
			Amort.
FEE DETAILS - BY GFE BLOCK			
Source of Loan Originator Compensation			
Lender Paid Compensation <input type="checkbox"/>	% Plan	Borrower Paid Compensation <input type="checkbox"/>	% Plan
\$0.00		Broker compensation - corresponding to Mortgage Broker Fee Agreement (Borrower Paid Exempt)	Paid By
\$0.00		Broker Flat Fee - corresponding to Mortgage Broker Fee Agreement (Borrower Paid Exempt)	
\$0.00		PBM Branch Fee (Conventional \$1140, FHA \$870, Streamline \$725, VA \$1140)	
Block 1 Total	\$0.00		
Refer to the attached instruction page for proper completion of the next Section			
\$0.00		Lender paid compensation - Enter amount as a (Negative) (Leave blank if borrower paid comp)	
\$0.00		Lender Paid - Discount for rate selected after adjustment of Lender Paid Comp Plan	
\$0.00		Lender Paid - Premium pricing for rate selected after adjustment of Lender Paid Comp Plan	
\$0.00		Borrower paid - Discount for rate selected	
\$0.00		Borrower paid - Premium pricing for rate selected	
Block 2 Total	\$0.00		
Block A	\$0.00	Total Adjusted Origination	
*To Borrower to use towards closing cost			
GFE Block 3 Fees - PBM Selected Services; include			
Credit Report Fee	\$0.00		
Appraisal Fee	\$0.00	Paid	\$0.00 Due \$0.00
FHA Upfront MP/VA Funding Fee	\$0.00		
GFE Block 3:	\$0.00		
GFE Block 4 Fees -	\$0.00		
*Escrow and Title Escrow Fee and Title Insurance			
GFE Block 5 Fees: Owner's Title Insurance: REQUIRED on purchase	\$0.00		
GFE Block 7 Recording Fees: Recording Fee:	\$0.00		
GFE Block 8 Transfer Tax: See Reference Chart at www.pbmwholesale.com	\$0.00		
GFE Block 11 Homeowner's Insurance:	\$0.00		
Actual amount of quote or .3% of total loan amount			
Loan Originator Certification			
As the loan originator, I hereby certify that in compliance with the anti-steering prohibitions found in Regulation Z, 12 CFR 226.36(e), I have presented the borrowers with an Anti-Steering Disclosure of Loan Options available. The Loan Options presented were from creditors with whom the loan originator regularly does business. In addition, the Loan Options provided were based on the type of transactions for which the borrowers have expressed an interest. Further, as the loan originator, I hereby certify on behalf of the broker that our brokerage company will retain records evidencing Broker's compliance with the Regulation Z originator compensation and anti-steering rules, including but not limited to, originator compensation plans, payroll and commission records, borrower compensation, lender compensation, lender compensation plans, lender rate sheets and borrower loan option disclosures, for at least two years, in compliance with Regulation Z, 12 CFR 226.25(e).			
Loan Originator Signature x _____			
Date _____			

Source of Loan Originator Compensation

Loan Originator Certification of Anti-Steering Requirements

08/05/2011



PBM Submission Form

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Est. Value	Sales Price	# PUD/Condo Name
\$0.00	\$0.00	
Base Loan Amount	Total Loan Amount	
\$0.00	\$0.00	

Date of Price Sheet Used for GFE Completion

Impounds (Check One) Yes No

1st Payment Date	Ratios	LTV/CLTV	Amort.
	0/0	0/0	

FEE DETAILS - BY GFE BLOCK

Source of Loan Originator Compensation

Lender Paid Compensation _____ % Plan **Borrower Paid Compensation** _____ % Plan

	\$0.00	Broker compensation - corresponding to Mortgage Broker Fee Agreement (Borrower Paid Exempt)	Paid By
	\$0.00	Broker Flat Fee - corresponding to Mortgage Broker Fee Agreement (Borrower Paid Exempt)	
	\$0.00	PBM Branch Fee (Conventional \$1140, FHA \$870, Streamline \$725, VA \$1140)	
Block 1 Total	\$0.00		<div style="display: flex; flex-direction: column; align-items: center; gap: 5px;"> Borrower Seller Lender Other Party Broker </div>

PBM Submission Form

GFE Block 8 Transfer Tax: See Reference Chart at www.pbmwholesale.com

\$0.00

GFE Block 11 Homeowner's Insurance:

Actual amount of quote or .35% of total loan amount

\$0.00

Loan Originator Certification

As the loan originator, I hereby certify that in compliance with the anti-steering prohibitions found in Regulation Z, 12 CFR 226.36(e), I have presented the borrowers with an Anti-Steering Disclosure of Loan Options available. The Loan Options presented were from creditors with whom the loan originator regularly does business. In addition, the Loan Options provided were based on the type of transactions for which the borrowers have expressed an interest. Further, as the loan originator, I hereby certify on behalf of the broker that our brokerage company will retain records evidencing Broker's compliance with the Regulation Z originator compensation and anti-steering rules, including but not limited to, originator compensation plans, payroll and commission records, borrower compensation, lender compensation, lender compensation plans, lender rate sheets and borrower loan option disclosures, for at least two years, in compliance with Regulation Z, 12 CFR 226.25(a).

Loan Originator Signature

Date _____

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Anti-Steering Disclosure of Loan Options – Form

Anti-Steering Disclosure of Loan Options

DATE: _____
 BORROWER: _____

 PROPERTY ADDRESS: _____

In order to comply with the anti-steering prohibitions found in Regulation Z (12 CFR 226.36(e)), your loan originator is providing you with this disclosure of loan options that are available for you to choose. These loan options are from creditors with whom the loan originator regularly does business with and are for types of transactions for which you have expressed an interest.

Fixed Interest Rate Options (if applicable)

	Loan Option 1 – Lowest Rate	Loan Options 2 – Lowest Rate without Risky Features	Loan Options 3 – Lowest Origination Fees / Points
Description			
Interest Rate			
Origination Fees / Points			

Adjustable Rate Options (if applicable)

	Loan Option 1 – Lowest Rate	Loan Options 2 – Lowest Rate without Risky Features	Loan Options 3 – Lowest Origination Fees / Points
Description			
Interest Rate			
Origination Fees / Points			

By signing below, I acknowledge that I have received a copy of this anti-steering loan options disclosure and that my loan originator has explained these loan options to my satisfaction.

Borrower: _____ Date: _____

 Print Name
 Borrower: _____ Date: _____

 Print Name

Fixed/Arm Rate Options

- Loan Option 1**
 Would be used if risky features were offered
- Loan Option 2**
 A basic 30 Yr fixed.
 No Risky Features W/
 Lowest Rate & highest cost affordable to borrower
- Loan Option 3**
 Highest Interest Rate affordable to borrower with lowest fees

Adjustable Rate Options

Same rules apply as fixed rate

08/05/2011



Anti-Steering Disclosure of Loan Options – Form

In order to comply with the anti-steering prohibitions found in Regulation Z (12 CFR 226.36(e)), your loan originator is providing you with this disclosure of loan options that are available for you to choose. These loan options are from creditors with whom the loan originator regularly does business with and are for types of transactions for which you have expressed an interest.

Fixed Interest Rate Options (if applicable)

	Loan Option 1 – Lowest Rate	Loan Options 2 – Lowest Rate without Risky Features	Loan Options 3 – Lowest Origination Fees / Points
Description			
Interest Rate			
Origination Fees / Points			

Adjustable Rate Options (if applicable)

	Loan Option 1 – Lowest Rate	Loan Options 2 – Lowest Rate without Risky Features	Loan Options 3 – Lowest Origination Fees / Points
Description			
Interest Rate			
Origination Fees / Points			

Does not have to be based off PBM Pricing. Can use a competitor form that covers all requirements.

PBM REQUIREMENTS – Agreement Documents:

TWO DOCUMENTS ARE REQUIRED FROM EACH BROKER:

- Attachment to Wholesale Broker Agreement (new “exhibit” form).
- PBM Lender Paid Compensation Plan Addendum.

New Exhibit Form

Exhibit “A”	Broker Policies
Exhibit “B”	Compensation
Exhibit “C”	Mortgage Broker Affiliates / Broker-Owned Escrow
Exhibit “D”	Regulation Z Steering Provisions
Exhibit “E”	FHA Sponsored Originator
Exhibit “F”	VA Agent Sponsorship

- New attachment to Wholesale Broker Agreement currently in place.
- Does not need to be replaced for Compensation Plan Changes.
- Must be signed by Broker of Record.

PBM REQUIREMENTS – PLAN SELECTION:

Designation	PBM – Lender-Paid Compensation Plans	Broker Initial/Signature
	Plan 1.00% - Compensation Percentage	
	Plan 1.25% - Compensation Percentage	
	Plan 1.50% - Compensation Percentage	
	Plan 1.75% - Compensation Percentage	
	Plan 2.00% - Compensation Percentage	
	Plan 2.25% - Compensation Percentage	
	Plan 2.50% - Compensation Percentage	
	Plan 2.75% - Compensation Percentage	
	Plan 3.00% - Compensation Percentage	

Designation	PBM – Flat-Fee ADD to Comp Plan	Broker Initial/Signature
	NONE	
	\$350.00	
	\$450.00	
	\$550.00	
	\$650.00	

Plan Options

- PBM Compensation plan will be the same for all files submitted during the period.
- Plan can be adjusted periodically – Monthly during the initial quarterly period and quarterly thereafter.
- Initial Quarterly Period: April 1, 2011 to June 30, 2011 – PBM will allow monthly changes during the initial quarterly period April 1, 2011 through June 30, 2011. Changes must be received by PBM no later than five business days prior to the beginning of the month.
- Subsequent Quarterly Periods: Plan maybe changed quarterly upon notification of change by broker 5 business days prior to the beginning of the new quarter.

Plan Requirements

- Plan selection must be indicated on chart – Broker of Record is required to initial and sign the form.
- If the Broker owns two or more subsidiary mortgage brokerages, the affiliates must be viewed as one. Each company must receive the same Lender-Paid Compensation Plan
- Broker Owners must ensure all compensation paid to their loan officers is compliant with all regulatory restrictions. Payments cannot vary based on prohibited terms and conditions or a proxy for those loan terms and conditions.
- Accurate Good Faith Estimate Fee disclosure

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PBM WHOLESALE CHANNELS

Provident Bank Mortgage has partnered with mortgage brokers for over 25 years!

We will continue our dedication to the Wholesale Lending Channel, and will work with all of our Broker Partners to make this compensation transition as easy as we possibly can.

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