



## **LOAN ORIGINATOR COMPENSATION FREQUENTLY ASKED QUESTIONS**

**Q1. When are the changes effective?**

- A. The new Loan Originator Compensation rules are effective with applications dated April 1, 2011. However, all loan submissions to Nations Direct dated 4/1/2011 and later, will fall under the new rule even if the application is dated prior to the effective rate of the rule.

**Q2. What types of loans are covered under the new rule?**

- A. The new rule applies to all closed-end consumer loans secured by a mortgage, regardless of lien position.

**Q3. Will Nations Direct accept both types (lender-paid compensation or borrower-paid compensation) of loans from me?**

- A. Yes. Brokers will have the ability to control the choice of compensation and compensation can vary from one loan to the next. Nations Direct will support whichever compensation plan is chosen.

**Q4. Origination Credits (or Yield Spread Premiums (YSP)) are disclosed as Loan Origination Credits on the GFE. Would this be considered compensation paid to the broker from the borrower?**

- A. No. Origination Credits (or YSP) are not considered compensation received by the loan originator directly from the borrower. The Origination Credits are funds paid by the lender to the borrower based on the note rate selected by the borrower. The broker can not take any portion of the Loan Origination Credits as compensation.

**Q5. Can Lender Paid Compensation be different between Conventional and FHA loans or Purchases and Refinances?**

- A. No. Lender paid compensation will be a fixed percentage of the loan amount regardless of the loan product chosen.

**Q6. Is Broker Compensation going to be capped under the new rules?**

- A. No. While the Lender is required to pay the same amount on each loan when borrower paid compensation is chosen, you still have the ability to negotiate directly with the borrower the amount of origination charges the borrower will pay you. You will still be required to adhere to all State and Federal High Cost limits.



**Q7. How will Nations Direct determine the fixed percentage paid under the Lender Paid Compensation Agreement?**

A. Nations Direct will review the average compensation you received on loan transactions closed with us over the last year. No plans have been finalized to date but we plan on working with our brokers to find a compensation plan that fits their needs. Before entering into an agreement for compensation, you need to take into account your overhead costs, including the cost for processing your loans. Your compensation agreement should be sufficient to cover the amount of your compensation plus any overhead costs.

**Q8. Is Nations Direct paying the same amount to all its brokers?**

A. No. A Creditor is not required to pay the same amount to its brokers. During our evaluation, we will take into account the amount of submissions received from you, the pull through rate and the quality of the loans submitted to us.

**Q9. Can the borrower still include closing costs on a refinance transaction in their loan amount and pay the broker directly?**

A. Yes. Closing costs may either be paid in cash or included in the loan's balance on a refinance transaction. However, under the Lender Paid Compensation plan, you can not use any of your compensation to reduce the borrower's closing costs.

**Q10. Can a borrower still use Lender Credits (Yield Spread Premiums) to pay for closing costs?**

A. Yes. The borrower may still use the Lender Credit for the interest rate chosen to pay for third party closing costs in both Borrower Paid and Lender Paid compensated transactions. The broker is not allowed to retain any portion of the Lender Credit.

**Q11. How often will my compensation agreement be revised?**

A. The new rules allow for periodic reviews of factors such as loan performance, loan volume and current market conditions and revise the compensation it will pay on future transactions. Nations Direct will review our compensation agreements regularly and adjust compensation accordingly.

**Q12. What are the new anti-steering rules?**

A. The new rules prohibit brokers from "steering" a consumer into a loan that provides the broker with greater compensation, when the loan may not be in the borrower's interest.

**Q13. How can I demonstrate a loan is in the borrower's interest?**

A. The loan must be compared to other possible loans available from the lender and for which the borrower is likely to qualify.



**Q14. Am I required to have a disclosure to demonstrate compliance with the anti-steering rule?**

A. Yes. A disclosure showing the borrower the following must be given:

1. The loan with the lowest interest rate;
2. The loan with the lowest dollar amount of origination points and discount points; **and**
3. The loan with the lowest rate and no risky features (such as negative amortization or prepayment penalty).

**Q15. Does this new regulation supersede any current federal laws we currently have to comply with?**

A. No. This is a new section of TILA. All current local, state and federal laws are still in effect.