



## OVERVIEW

Effective for all new loan applications received on or after April 1, 2011, the mortgage loan originator may receive compensation from either the borrower or the lender, but not both. The amendment to Regulation Z applies to all persons who originate loans, including mortgage brokers and the companies that employ them, as well as mortgage loan officers employed by depository institutions and other lenders. The new rule prohibits a mortgage loan originator from receiving compensation from a consumer while also receiving compensation from the creditor or another person. All individuals that originate closed end loans secured by a consumer's dwelling will be held to the new regulatory standards.

### **U.S. Bank Consumer Finance Wholesale Non-agency Mortgage Broker Compensation Program Rules**

U.S. Bank Consumer Finance continues to simplify how these rules are applied to our Wholesale Non-agency program by making it easy for mortgage loan originators to originate loans while remaining competitive. We are committed to helping our broker partners to better understand both the details of this reform as well as our program. With U.S. Bank Consumer Finance Wholesale Non-agency, our mortgage brokers will have the option to:

- Choose between borrower-paid or lender-paid compensation on a loan-by-loan basis, but not both
- Receive flexible compensation based on a percentage of the loan amount if paid by the borrower
- Receive consistent and predetermined basis point compensation if paid by the lender

### **U.S. Bank Consumer Finance Wholesale Non-agency Pricing Methodology**

U.S. Bank Consumer Finance will publish two Wholesale Non-agency rate sheets; one featuring PAR pricing for the borrower-paid mortgage broker compensation option and the other reflecting the lender-paid mortgage broker compensation option.

(Rates are subject to change based on market conditions)

## **U.S. BANK CONSUMER FINANCE WHOLESAL NON-AGENCY MORTGAGE BROKER COMPENSATION OPTIONS INCLUDE:**

### **Borrower-Paid Compensation (BPC)**

- For the borrower-paid compensation option, the mortgage broker may receive compensation based on a fixed percentage of the loan amount.
- For U.S. Bank Consumer Finance Wholesale Non-agency loans, the maximum compensation cannot exceed 4.00% of the loan amount. (\$30,000 maximum allowed)
- Any seller paid contributions are considered borrower-paid compensation.
- The mortgage broker will negotiate with the borrower directly to determine the amount of compensation that is to be paid. No compensation will be paid to the broker from U.S. Bank Consumer Finance Wholesale Non-agency.
- Under this scenario, the amount of compensation may vary from loan to loan providing it does not exceed the maximum compensation allowed percentage of 4.00%.
- Owners must make sure all compensation earned by their loan officers is compliant with all regulatory restrictions.

### **Lender-Paid Compensation (LPC)**

- This compensation will be consistent for all U.S. Bank Consumer Finance Wholesale Non-agency loans regardless of product, purpose of loan or loan terms. (Subject to change based on market conditions)
- If LPC is selected, the amount can not be adjusted in any way based on the loan terms and conditions.
- Brokers are not permitted to credit any portion of LPC to the borrower. All third party costs must be paid by the borrower in cash.
- Owners must make sure all compensation earned by their loan officers is compliant with all regulatory restrictions.



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## ANTI-STEERING REQUIREMENTS

It is important to understand that mortgage brokers must present loan options so as to avoid “steering” the borrower to a particular term or loan product to increase the broker’s compensation.

In order to comply with the Anti-Steering provision, mortgage brokers must not present loan options to the borrower with the sole intent to increase the broker’s compensation. The new regulation provides a safe harbor to facilitate compliance with the anti-steering requirement.

The safe-harbor is satisfied if:

- The consumer is presented with loan options for each type of transaction in which the consumer has expressed an interest; and
- The loan options presented include:
  - the lowest interest rate for which the consumer qualifies;
  - the lowest points and origination fees; and
  - the lowest rate for which the consumer qualifies for a loan with no risky features, such as a prepayment penalty, negative amortization, or a balloon payment in the first seven years.

Brokers must present at least three options to the borrower. There is no need to present loan options from multiple lenders if the borrower only qualifies with one lender. The options presented must be from lenders with whom the broker currently originates loans.

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U.S. Bank, EP-MN-L20D, 200 South 6th Street, Minneapolis, MN 55402

