

Announcement: Compensation Policy

Effective: Submissions received on/after April 5, 2011



Effective with loans submitted to Mid-Island Mortgage on/after April 5, 2011, the Federal Reserve is implementing Regulation Z compensation and anti-steering changes under the Truth in Lending Act (TILA).

Compensation Details

With Mid-Island Mortgage, you and your borrowers will have the choice to select either a consumer-paid or a lender-paid option with each loan. Below is an overview of the two options.

Upon submission of an application, broker will select either "Lender-Paid" or "Consumer-Paid" on the submission form.

You will not be allowed to change the compensation method once the loan is rate locked.

Lender Paid Compensation

The Broker compensation will be based on a percentage of the loan amount preset by your company.

- Compensation is paid to the company (broker owner).
- Compensation will be determined by an agreement between broker and lender and shall be fixed for a certain period of time.
- Broker compensation is paid as a percentage of the loan amount.
- Third-party costs can't be paid by the broker; however it may be paid by the lender with any amount in excess of the broker compensation paid by lender (GFE Box A credit cannot exceed GFE Box B less financed UFMIP).
- No additional compensation such as administrative and processing fees may be charged and paid to you.
- Your compensation may not be increased or decreased except to reflect a change in the loan amount.
- Points and fees (including discount points) paid by Borrower to Lender and/or Broker are limited to 5% of the loan amount.

Consumer Paid Compensation

The Broker compensation will be determined and based on who pays it.

- Broker compensation limitations based on loan terms and conditions will not apply when the consumer-paid option is used.
- There will be no minimums; however, Broker compensation is limited to the lesser of state high cost limit or 5% on all loans (see additional restriction below).
- Points and fees (including discount points) paid by Borrower, Seller or any other party to Lender and/or Broker are limited to 5% of the loan amount.
- If a party other than the consumer pays the compensation (ie, through seller concession), they must pay the compensation in full, not just a portion. At no time can the other party be Mid-Island Mortgage Corp.
- Third-party costs can be financed through the loan transaction or interest rate. If the borrower selects Premium Pricing, the Premium Pricing may be used to cover their third-party costs. Total Premium Pricing cannot exceed the total of the third-party costs. Premium Pricing cannot be used to compensate the broker. GFE Line 2 credit cannot exceed GFE Box B less financed UFMIP
- The compensation must be paid by the Borrower with cash or from the loan proceeds.
- Once your GFE has been disclosed, you cannot increase your compensation; however, you may reduce your compensation at any time.

Anti-Steering Requirements

Mortgage Brokers must present loan options so as to avoid "steering" the consumer to a particular term or product to increase the broker's compensation. The new regulation provides safe harbor to facilitate compliance with the anti-steering requirement. The safe harbor is satisfied if:

- The consumer is presented the 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 originations 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 consumer. There is no need to present loan options from multiple lenders if the consumer only qualifies with one lender. The options presented must be from lenders with whom the broker is currently doing business.