



## New Loan Originator Compensation Policies

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<b>Summary</b>	We are committed to keeping you well informed on the new Truth in Lending Act (TILA) regulations released by the Federal Reserve. In this bulletin, you will find details on Lender-Paid Compensation (LPC) and Borrower-Paid Compensation (BPC) as implemented by Wall Financial, Inc. (WFI).
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<b>Scope</b>	WFI will apply these broker compensation policies and procedures to all closed-end residential mortgage loans.
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<b>Effective Dates</b>	March 28, 2011      Lender-Paid compensation levels must be submitted.
	April 1, 2011      New loan applications are subject to the new compensation requirements.
	<b>April 1, 2011      The new Federal TILA regulations are effective.</b>

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<b>Overview</b>	The Federal Reserve Board (FRB) has announced an amendment to Regulation Z - Truth in Lending Act (TILA), regarding loan originator compensation. Effective for all new mortgage applications received by WFI on or after <b>April 1, 2011</b> , the mortgage originator may receive compensation from either the Borrower or Lender, but not both. This rule regulates mortgage loan originator compensation and prohibits steering for all mortgage loan originators, in an effort to protect borrowers from unfair or abusive compensation practices.
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<b>Our Commitment to You</b>	<p>We understand the new regulations on loan originator compensation could have an impact on your business and our industry. Your successful navigation through any regulatory change is our team's top priority. Your account executive will work closely with you and assist you to comply with WFI policies.</p> <p>Wall Financial, Inc. :</p> <ul style="list-style-type: none"><li>➤ Will allow changes to your loan originator compensation level every 30 days.</li><li>➤ Will allow your Borrower to pay WFI bona-fide discount points to lower their interest rate.</li><li>➤ Will allow you to have loan originator compensation up to 3%.</li></ul> <p>Wholesale Lending remains an integral part of our long-term mortgage lending strategy, and rest assured our commitment to you remains unchanged. WFI will continue to provide you with products and services you need to build your business.</p> <p><b>Thank you for the opportunity to earn your business in 2011.</b></p>
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<b>Broker Compensation Plans</b>	<p>A Broker must maintain written compensation plans for its loan originator employees in compliance with applicable laws and regulations, including but not limited to, the new TILA rules and must certify to WFI its compliance with such requirements. WFI recommends the Broker consult with their legal counsel for TILA compliance advice.</p> <p><b>WFI will not require the Broker to submit its compensation plans for its originator employees.</b></p>
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<b>Lender-Paid Compensation (LPC)</b>	<ul style="list-style-type: none"> <li>• 100% of the Broker’s compensation must be paid by Wall Financial, Inc.</li> <li>• The amount of WFI Lender-Paid compensation will be based on a percentage of the principal base loan amount, and will not vary from one loan transaction to another during a 30-day period.</li> <li>• The loan originator will receive its compensation from WFI only and not from any other party in the transaction.</li> <li>• The loan originator may not reduce its Lender-Paid compensation by offering concessions to the Borrower or to correct consumer disclosure (e.g. RESPA, GFE, or Initial TIL) tolerance violations.</li> <li>• The loan originator may not pay third-party fees or other costs for the Borrower. Such fees and costs must be paid from the Borrower’s own funds or the loan proceeds.</li> <li>• The Borrower may pay bona-fide discount points to WFI to obtain a lower interest rate.</li> </ul>
<b>Borrower-Paid Compensation (BPC)</b>	<ul style="list-style-type: none"> <li>• Borrower-Paid compensation is determined by an agreement between the loan originator and the Borrower.</li> <li>• WFI will accept loans with Borrower-Paid compensation up to a maximum of 2.50% of the loan amount.</li> <li>• The amount of loan originator compensation charged to the Borrower may vary from one loan transaction to another.</li> <li>• The Borrower may use interest rate credits to fund third-party fees, but not loan originator compensation.</li> <li>• Since the loan originator receives no compensation from WFI, the Broker has the option to reduce its 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.</li> <li>• The Borrower must pay the loan originator compensation from Borrower’s own funds or the loan proceeds.</li> </ul>
<b>Selecting Your Compensation Type</b>	<ul style="list-style-type: none"> <li>• The loan originator must select and submit a WFI Lender-Paid compensation level prior to loan application.</li> <li>• If the loan originator fails to select and submit a compensation level, WFI will not be able to accept any loans from loan originator until the Lender-Paid Compensation level is received by WFI.</li> <li>• <b>The loan originator may select a compensation level between 0.125% and 2.50% in 0.125% increments.</b></li> <li>• <b>A loan originator may select a different compensation level every 30 days provided the loan originator has been in its current compensation level for a minimum of 30 days.</b></li> <li>• A Broker must notify WFI in writing, of its intention to select a new WFI Lender-Paid compensation level within each month’s election window. The election window for the next 30-day period will be during the last 5 days of each month.</li> <li>• <b>A loan originator is not required to change or reaffirm its compensation level every 30 days.</b> Unless WFI receives written notice of the LO’s selection of a different compensation level within the election window, the LO’s WFI Lender-Paid compensation level will automatically renew at its current level for the next 30-day period.</li> </ul> <p><b>Note:</b> The loan originator must ensure that the compensation level selected will not cause loans submitted to WFI to exceed applicable state or federal “high-cost”, “higher-priced”, or similar restricted loan thresholds.</p>
<b>Anti-Steering</b>	<p>Under the new rules, a loan originator is not allowed to direct or “steer” a borrower to a mortgage loan in which the loan originator will receive greater compensation from the lender (or creditor), unless the mortgage loan is in borrower’s interest.</p>

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**Anti-Steering /  
Safe Harbor**

It is important to understand that the mortgage broker must present loan options so as to avoid “steering” the borrower to a particular type of loan product to increase the broker compensation.

The Final Rule provides a “safe-harbor” to the anti-steering provisions if the following is adhered to:

- Borrower is presented with the loan options for each type of transaction in which the borrower has expressed an interest.
- The loan options are obtained from at least 2 creditors whom you regularly do business with.
- The loan options must include:
  - The loan with the lowest interest rate
  - The loan with the lowest interest rate without negative amortization, a prepayment penalty, interest only payments, balloon payment during the first 7 years.
  - The loan with the lowest cost of origination/discount points and fees.
- Broker must believe in good faith that borrower likely qualifies for the options presented. Options from multiple lenders are not required if borrower only qualifies through one lender.

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**Anti-Steering /  
Safe Harbor  
Disclosure**

To assist you in taking advantage of these safe harbor protections, WFI will require an Anti-Steering or Safe Harbor Disclosure for any transaction that the anti-steering rules apply. This disclosure will need the borrower’s signature and acknowledgment to document the fact the borrowers were presented with the required loan options. We strongly encourage our broker clients to contact their LOS vendor as soon as possible to ensure they will have an Anti-Steering and Safe Harbor Disclosure forms and confirm when it will be available for use.

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**If you have any questions regarding these changes, please contact your Account Executive. For more information on the FRB’s latest developments regarding the Final Rule, visit: <http://www.federalreserve.gov/bankinfo/regzcg.htm>**

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## LENDER-PAID COMPENSATION ELECTION FORM

LOAN ORIGINATOR CONTACT INFORMATION		
BUSINESS NAME / DBA	NMLS COMPANY ID #	WFI ACCOUNT EXECUTIVE
BROKER NAME	NMLS ID #	POSITION
PHONE	EMAIL	ELECTION DATE

This Lender-Paid Compensation Election Form must be completed and returned to Wall Financial, Inc. If a fully executed Lender-Paid Compensation Election Form is not received by Wall Financial, Inc., WFI will not be able to accept any loans until the Election Form is received.

Wall Financial, Inc.'s Lender-Paid Compensation Election Form provides you with Lender-Paid compensation percentages in one-eighth (.125) increments ranging from .125% to 2.50%. Brokers will be required to select **ONE** Lender-Paid compensation percentage, which will be applied to all eligible Lender-Paid transactions until the next open election period. The current election will automatically renew if the Broker chooses not to change the election percentage amount during the subsequent open election period.

LENDER COMPENSATION DESIGNATION (SELECT ONE)
Please indicate by selecting one box. <i>The first box allows a range from .125% increments up to 2.50%.</i>
<input type="checkbox"/> _____% <input type="checkbox"/> 1.00% <input type="checkbox"/> 1.25% <input type="checkbox"/> 1.50% <input type="checkbox"/> 1.75% <input type="checkbox"/> 2.00% <input type="checkbox"/> 2.50%

- **A Loan Originator may select a different compensation level every 30 days.** A Loan Originator must notify WFI in writing of its intention to select a new Lender-Paid compensation level within each month's election window.
- **A Loan Originator is not required to change or reaffirm its compensation level every 30 days.** Unless WFI receives written notice of the Loan Originator's selection of a different compensation level within the election window, the Loan Originator's Lender-Paid compensation level will automatically renew for the next 30-day period.

**CERTIFICATION:**

1. The authorized signer (Broker-Loan Originator) indicates by his/her signature below, that this compensation election request is approved for the Loan Originator's organization and further certifies that the submitted plan is in compliance with the Final Rule's prohibition on receiving compensation in an amount that is based on any of a loan transaction's terms or conditions.
2. I agree to pay all employees loan originators in compliance with the new loan originator compensation rules and all applicable employment laws.
3. I understand that payment of compensation must be properly disclosed per all legal and regulatory requirements.
4. I understand that the compensation designation selected above shall apply to all loans and continue until amended, in writing, as permitted by WFI.

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Authorized Signature (Broker)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

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Title

\*\* Please send this completed form to Wall Financial, Inc. at: [broker@mywfi.com](mailto:broker@mywfi.com) \*\*