

# Eagle Funding

## BROKER MEMO

Date: March 7, 2011

Subject: New Compensation and Anti-Steering Rules

### COMPENSATION

Effective April 1, 2011, the mortgage loan originator compensation rule set forth in Section 226 of Regulation Z will go into effect. This will greatly impact both compliance on - and originator compensation for - residential mortgage loans. No longer can originator compensation be based upon the terms of the loan. No longer can the originator derive compensation from the borrower and the lender simultaneously.

As a result, business can be conducted in one of two environments...Borrower Paid Compensation or Lender Paid Compensation. You will need to choose which compensation model you wish to use on each transaction at the time you lock the loan.

You will have substantial control over the amount of Lender Paid Compensation payable to you on transactions you submit and close with Eagle Funding. Listed below please find available compensation levels you may choose from. It is our expectation that you will choose a tier from this list and abide by that choice for a three-month period. Thereafter, on a quarterly basis you may choose a different Lender Paid Compensation tier, if you wish, that may better suit your business needs. At the end of this memo, please find a **Compensation Notice**. Please complete this Notice and return it to us at your earliest opportunity.

- Tier 1 – 150 bps
- Tier 2 – 175 bps
- Tier 3 – 200 bps
- Tier 4 – 225 bps
- Tier 5 – 250 bps
- Tier 6 – 275 bps
- Tier 7 – 300 bps

**If we do not receive your written response by Friday, March 25, tier 3 (200 bps) will be selected for you for the period April 1 – June 30.**

In any event, the rate / fee combinations indicated on our daily rate sheet will depict Borrower Paid Compensation pricing. You will be able to convert that to Lender Paid Compensation pricing by simply adding the proper tier bps to the pricing grid...just like you would for any other add-on.

In order to be eligible for the existing compensation environment at Eagle Funding, your loan must be locked with us no later than Friday, March 25. Furthermore, in order to be eligible, you must have prepared your initial GFE no later than Friday, March 25. Loan submissions received after March 25 and closing after April 1 meeting these criteria will be eligible for the compensation environment that exists today.

In order to maintain our secondary market investor relationships, there is a strong likelihood that we will be compelled to obtain from you an example of your Compensation Policies and Procedures for both your Loan Originators as well as your Producing Branch Managers. We have not yet received final guidance from our investors regarding this issue, so it is not necessary for you to send them at this time. However, please be advised that it may be required in the future.

### **ANTI-STEERING**

The new regulations also require, in the event that Lender Paid Compensation is selected, that the borrower be presented with at least three loan options for each loan type for which they have expressed an interest. These three options must include, at a minimum:

1. A loan with the lowest interest rate
2. A loan with the lowest total origination fees and discount points
3. A loan with the lowest rate and no high-risk features such as prepayment penalty or negative amortization

Not unlike the earlier note regarding Compensation Policies, the guidance on the Anti-Steering disclosure is unclear. You may be required to provide the borrower-executed form detailing the three options. On the other hand, you may only be required to supply an Attestation executed by the borrower that articulates they have been supplied these three options. We still await clear guidance on this issue and will share it with you once received. Please keep in mind that guidance will dictate the level of documentation required from you on your loan submissions and will become part of our initial GFE screening process.

In any event, it is important that we hear back from you ASAP regarding your choice on the **Compensation Notice**. Please complete it and send it back to us at your earliest convenience.

If you have any questions, please contact your Account Executive. Thank you for your business.

David Baker  
VP – Wholesale



## COMPENSATION NOTICE

Broker Company:

Owner / Principal:

Please select one of the following Lender Paid Compensation tiers:

\_\_\_\_\_ Tier 1            150 bps

\_\_\_\_\_ Tier 2            175 bps

\_\_\_\_\_ Tier 3            200 bps

\_\_\_\_\_ Tier 4            225 bps

\_\_\_\_\_ Tier 5            250 bps

\_\_\_\_\_ Tier 6            275 bps

\_\_\_\_\_ Tier 7            300 bps

Your selection will be effective for qualifying loan submissions in the 2<sup>nd</sup> Quarter 2011 (April 1 – June 30) and will remain in effect unless modified by you at one of the allowable quarterly renegotiation intervals.

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date