

# LENDERS UPDATE™

## ALT & ASSOCIATES NEWSLETTER

A COMPLIMENTARY SERVICE TO THE MORTGAGE LENDING INDUSTRY

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## **LOAN ORIGINATOR COMPENSATION** **FAQ 3**

This is our third question and answer in our FAQs series regarding the new Loan Originator Compensation Rule.

### **TODAY'S QUESTION**

Does the new Loan Originator Compensation Rule change the compensation rules for brokers?

### **ANSWER**

As we know, if a broker receives compensation from the consumer it can't receive compensation from any other source, and no person can knowingly pay a broker, if he/she knows that compensation is being received from the borrower or another third-party source.

However, there are now changes to the Rule, two of which are of most significance:

- Prior to the new Rule, a broker, known under the Rule as a “Loan Originator Organization”, could not compensate its employee in a “consumer paid” transaction directly from the transaction. The employee had to be satisfied with wages or salary. The rule is now changed and the broker-employee may be compensated from the transaction in the same way that an employee of a creditor may be compensated.
- Prior to the new rule, in a “consumer paid” transaction to a broker, the amount or terms of the payment made by the consumer to the broker was not covered by the Rule. In other words, the amount paid by the consumer to the broker, could change with the terms of the loan. Under the new Rule these payments are now subject to the Loan Originator Compensation Rule just as payments made by a creditor to its loan originator-employees are. The broker compensation paid by the consumer may not vary based on the terms of the loan.

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