

# FAQ- Broker Compensation

Guide to Borrower Paid vs. Lender Paid compensation and answers to frequently asked questions.

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# Borrower Paid vs. Lender Paid

Brokers have full control over which compensation method is chosen and the method can vary from one loan to the next, below is a breakdown of the affected differences between Borrower and/or Lender paid compensation.

Compensation	Borrower- Paid	Lender- Paid
Source of Compensation	Allowed to be Paid by: <ul style="list-style-type: none"> <li>• Borrower Funds</li> <li>• Loan Proceeds</li> <li>• Seller Concessions</li> </ul>	Paid by ClearPoint Funding
Amount of Compensation	Negotiated between loan originator and borrower. Must comply with High Cost Calculation.	Compensation is based on % (Tier)of the loan amount, overlaid with min/max and/or fixed dollar amounts based on Brokers Tier Elections
Variances in Compensation	Can vary on each individual loan	Can vary based on brokers chosen Compensation Election Tier per CPF policy(currently every 30 days) <b>Note:</b> Applicable per file Tier pricing is based on application date NOT submission date
Concessions	Broker can lower and/or offer credits toward third-party costs	3 <sup>rd</sup> party cost can <b>not</b> be paid by Brokers compensation, brokers compensation can <b>not</b> be lowered
Premium Pricing	<ul style="list-style-type: none"> <li>• Can be used to cover third party costs</li> <li>• Can <b>not</b> be used to pay any portion of loan originators compensation</li> </ul>	<ul style="list-style-type: none"> <li>• Can be used to cover third party cost</li> <li>• Can <b>not</b> be used to pay any portion of loan originators compensation</li> </ul>

# Borrower Paid Compensation

- Broker's compensation is paid directly from the borrower.
- Premium Pricing credit **cannot** be applied to any fees payable to the broker but can be used to cover third party closing fees.
- Sellers can cover broker fees, as long as it covers **ALL** broker fees.
- Broker can charge different amounts, to different borrowers. Unlike lender paid where all compensation tiers are the same on all loans.
- Broker can change from Lender Paid to Borrower Paid at anytime, as long as the fees charged are not higher than their disclosed Lender Paid Compensation.
- Broker can change from Borrower Paid to Lender Paid up until CPF sends out initial lender disclosures.
- Broker can give borrower credit towards closing costs.

# Lender Paid Compensation

- Broker receives a set amount of compensation from CPF based on selected tier and/or min. and max. dollar amounts.
- Broker's compensation tier is based off of the application/interview date as disclosed on the broker's 1003 in Avista.
- Broker has the option to change compensation tier on a monthly basis
- Broker also elects a "minimum" and "maximum" compensation along with tier selection.
- Broker must choose to either receive compensation from the lender (Lender Paid) or from the borrower (Borrower Paid), they cannot receive from both.
- Broker cannot give any credits towards closing costs from their compensation \*see premium pricing credits page

# Important Information

- **Application Date** – ClearPoint Funding Defines the “application date” as the Interview Date as shown on the government monitoring tab of the 1003.
- **High Cost Loans** – On “Lender Paid Compensation”, if the loan is a high cost loan, the loan must be restructured as a “Borrower Paid Compensation” loan, with the fees lowered enough to no longer be high cost.
- **Out of Tolerance** – On “Lender Paid” broker are not allowed to pay out of tolerance credits at closing. If the fees were not disclosed properly on the GFE and resulted in an out of tolerance violation, the loan will need to be denied and a brand new loan submitted that is in compliance. It is **VERY IMPORANT** to verify settlement agent fees and transfer taxes **PRIOR** to disclosing the initial GFE to avoid the file being denied due to being out of tolerance.
- **Changing from Lender Paid to Borrower Paid OR Borrower Paid to Lender Paid** –
  - Broker may change the chosen election from **Lender Paid TO Borrower Paid** compensation as long as the Origination charge in Block 1 does **not** increased.
  - Broker may change the chosen election from **Borrower Paid to Lender Paid** up until CPF discloses the loan. Once CPF accepts a loan and discloses as Borrower Paid Compensation, the loan cannot change and must remain as Borrower Paid.
- **Third Party Processing Fees** – On Lender Paid elections no fees can be paid by the borrower to the broker. However, if the broker uses a true third party processing company, the processing fee can be charged to the borrower. This fee will need to be included in Block 801, “Our Origination Charge” on the GFE. At closing, we will also require an invoice for the processing fee showing that is payable to a third party company.

# Premium Pricing Credits

## **Premium Pricing Credits:**

Borrower Paid Transactions - Any credit in excess of the Par rate.

Lender Paid Transactions - Any credit in excess of the Par Rate, after the loan originators compensation (Tier) had been deducted.

## **Allowable Closing Costs, Can Be Paid by Premium Pricing Credits:**

- ✓ Third Party Fees (i.e. Title, Appraisal, Brokers credit report **IF** paid directly to vendor **and** Invoice is require)
- ✓ Recording Fees
- ✓ Lender Fee's (CPF's Funding Fee)
- ✓ Prepaid Items (Taxes/Insurance Escrows, Per Diem Interest)
- ✓ POC'd Items (Appraisal, Homeowners Insurance on a Purchase Transaction, Pest Inspection)
- ✓ MIP (Must be paid in its entirety, partial payment of MIP is not allowed, Financed MIP or any Portion of is not allowed to be paid by Premium Pricing credits)

## **Non- Allowable Closing Costs, Can not be Paid by Premium Credits:**

- ✓ Any compensation that is paid to the Broker (Points, Fees, Lender Paid Comp/YSP)

**Excess Premium Pricing Credits:** (Any amount of Premium Pricing Credit that exceeds the closing cost and/or prepaid items)

Excess Premium Pricing Credits may **NOT** go to the borrower as cash. There are two options available to rectify:

1. **Principle Reduction (Lender Paid Only):** Conventional and FHA max is \$2,000, DU Refi Plus lesser of \$2000 or 2% of the LA. Review your product summary for complete guidelines.
2. **Interest Rate Reduction:** The rate will need to be reduced in order to reduce the credit to the borrower \*

\***BEST PRACTICE:** Review your GFE and fee sheet/Itemization of fees **prior** to locking your loan to insure your premium pricing does not exceed your total closing cost and/or prepaid items.