

A photograph showing three people (two men and one woman) shaking hands in front of a modern, two-story house. The woman is wearing a green top, and the men are in business attire. The scene is set outdoors with a clear sky.

Program Updates

Broker Loan Originator Compensation Announcement

Effective April, 1, 2011: The mortgage loan originator compensation rule detailed in Section 226 of Regulation Z will go into effect. This rule will cover all loans submitted to IHFA on or after April 1, 2011, with the following exceptions:

- Loans submitted prior to April 1, 2011.
- Loans locked prior to April 1, 2011.
- Loans submitted to IHFA and locked with IHFA prior to April 1, 2011.

Source of Compensation: For every loan transaction submitted to IHFA, the Broker must choose either Borrower Paid Compensation or Lender (IHFA) Paid Compensation. The choice of compensation source is still within your control and can vary from one loan to the next.

Borrower Paid Compensation: This compensation is paid by the borrower to the broker from the borrowers' own funds. Borrower Paid Compensation is negotiated by the broker directly with the borrower and may never exceed 2.5%.

Lender (IHFA) Paid Compensation: This compensation is paid by IHFA to the Broker. When the lender pays the Brokers' compensation, the interest rate will be at par and the broker will be paid a 1.5% loan fee (1% on the base loan and .5% on the total loan amount). Lender paid compensation will continue to be disclosed in Box 2 of the GFE. Add .125% to the par rate and the lender will pay broker an additional 1% based on the total loan amount.

The compensations are all inclusive and do not allow for charging other fees such as processing or broker fees.

The Broker will inform IHFA of their choice for the compensation source by checking the appropriate box when locking the loan at the IHFA Lender Connection. Upon locking the loan the compensation for that loan may not subsequently change.

It is recommended broker/owners should consult their legal counsel regarding the compliance with the regulation as it pertains to payment of loan originators.

If you have questions or need additional information, please call 800-219-2285 or email resloan@ihfa.org.