



Originator Compensation

Business Rule Decisioning:

Min 0 to 1,000.00. Max Min 1,000.00: While Reg Z supports "minimum compensation," LONPricer defaults to a max minimum of \$1,000.00. This ensures every potential borrower would see a price regardless of loan amount. This eliminates disparate impact associated with higher minimum compensation.

Lender Paid Basis Point (aka % of loan): Variable UP TO 275 BP, payable to the Originator's company.

Maximum Compensation: 0 to 20,000.00 and is determined by the originator at initial LOS Account set up. Changes can be requested at Calendar "quarterly administrative windows." Maximum comp cannot be changed on a loan by loan basis. Lowering maximum compensation at initial account setup will result in more competitive interest rates for higher loan balances for Lender Paid and Borrower Paid transactions. Ask your AE for a demonstration utilizing LON's proprietary "Sandbox" prior to configuring your account.

Lender Paid Origination Compensation: 100% of Originator Compensation must be paid by Lender. The amount of the Originator Compensation is not disclosed on the LE. The Originator Compensation is disclosed on the Closing Disclosure.

Borrow Paid Origination Compensation: 100% of Originator compensation is paid by the Borrower on the LE & CD.

Business Rule Originator Compensation: Must be 100% Borrower Paid or 100% Lender Paid, **NOT A COMBINATION OF BOTH.**

Note: Broker is unable to use a Lender Credit for Originator Compensation, regardless of "Lender Paid" or "Borrower Paid" originator compensation.

Note: LONPricer does not support a flat fee for the Broker. LonPricer does support Lender Fee Buyout Yes or No. This configuration eliminates disparate impact associated with lower loan balances that could result in no price found, or otherwise discouraging application. Lender or Admin Fee is a Third Party Charge that is included in both the QM Points & Fees Test AND the 300 BP Origination Compensation test.

Note: For ALL loans LONPricer will auto check for QM pass or fail. BP cost for Lender Fee Buyouts are yield equivalent. Buyout YES or NO is configured to support "no fail" QM points & fees prior to "Get Pricing." The algorithm QM testing is based on the customers MIN/MAX/PERCENTAGE Settings.

Non-Origination Fees aka "Third Party Charges" from the scenario builder tables by State are "Net of" Normal & Customary Closing Costs that the SELLER would normally pay on the borrower's behalf. This supports accuracy with respect to cash at close and FHA's Min Required Investment.

Lowering Originator Compensation, Borrower Paid Compensation Only: Lender Paid Compensation cannot be lowered on a loan by loan basis. Based on LLPA's, Product Type ARM, or Compression Coupons, **the user can input a lower value for Borrower Paid Compensation.** The input Borrower Paid Originator Compensation value will default to the "lower of" the input value, the BP variable, or the Max Compensation per the account set up in the LOS.

State Third Party Charges Tables: LONPricer supports State Fee Table configuration in the My Account Tab. The model supports 0%, 10%, and 100% tolerance charges, including escrows for taxes and insurance. Access settings are configurable by the TPO investor to support edits and edit functionality by user. (Example: An investor may support approving a state fee table configuration that allows the originator to edit taxes, insurance, and prepaids only.)

SPL (Servicer Provider List): LONPricer features a widget to support saving Service Providers at the organization level. These dropdowns are available in the disclosure compliance screen and can be used to delineate saved SPL's.

Contact Processor Delineation & Fees: LONPricer supports configuring Contract Processors and their corresponding fees, MU1 designation, along with affidavit of non-affiliation to support the accurate disclosure of the 0% tolerance fee as a third-party charge & omit from the origination points and fees testing. LOS account settings support login credentials.

Third Party Vendor Contacts & Fees: LONPricer supports delineating Third Party Vendors, example outsourced closing fulfillment, and their 0% tolerance third party fee for accurate disclosure. LOS account settings represent the control for login credentials.

Disclosure Compliance Questionnaire: LONpricer supports a configurable questionnaire to support regularly under-disclosed fees such as Survey or Survey Deletion, Final Inspection, Pest Inspection, Appraisal add on's example rural or acreage to support accurate disclosures.

Algorithm by Product Type: LONPricer supports a separate Algorithm for each product type FHA/VA/USDA & Others. FHA has all of the MSA's & High Balance Limits programmed by Product Type.

NQM: LONPricer NQM products are configured as an eligibility engine vs Agency Product Type.

Max Loan by MSA: All product types have max loan limits and High Balance programmed. Can't remember them, enter a value of 1M and point to the exclusion table in pricing for Max for that zip code.

Min Required Investment: LONPricer FHA Algorithm is based on Min Required Investment using the configurable state fee tables to auto populate the amount available for Lender Credit after Seller Contribution, or Bona-Fide Discount to buy the rate down in the context of excess seller contribution.

Max Seller or Interested Party Contribution: Can't remember the max for each product type? LONPricer has the maximums programmed by product type and LTV. Plug in 20,000, and LONPricer will default to the max seller's contribution. VA is configured to 100% financing and 0% MRI, USDA, & Conventional are configured similarly.

Bona-Fide Discount: LONPricer Algorithm accurately calculates excess seller contribution and can apply a negative number to support bona-fide discount to buy the rate down, not to exceed 2.00 or a price of 98.00.

Trade Off Tables for Safe Harbor: LONPricer supports Scenario “SAVE” Functionality. Simply run LONPricer Lender Paid vs Borrower Paid on the same Scenario by product type and Save the results to support Lowest Rate and Lowest Cash at Close Safe Harbor tradeoff tables.

Overwrite Functionality/Details of Transaction: LONPricer supports starting with a saved scenario, and moving through to uploading a 3.2 from your LOS. LONPricer then overwrites the details of transaction with the LONPricer LIVE pricing. After registration, LONPricer then supports RUN AUS / Assign Existing Credit to establish the mid score of the lowest borrower, then edit/re-run through LONPricer to populate the mid score of the lowest borrower “prior to” Final Pricing and disclosing the loan as a float or a lock.

LONPricer Connectivity: Through LONSync, LONPricer can populate your doc and database of record with the data to support accurate terms and data consistency. **Note:** LONPricer converts pricing to **Net Par Based price** to support Op Blue, LQB’s PML or Compass Analytics PPE integrations.

Example: By netting out the BP compensation, Lender Paid 2.25 % originator compensation, with a lender credit of 1.00 % (103.25 gross price) will convert by netting out the Lender Paid comp to a “net par based” price of 101.00.

Business Rules: “Disclose as Lock” or “Disclose as float” registration confirmation will identify Broker Compensation (min, max, or BP.) Registration confirm will identify Lender paid vs Borrower paid. The lock confirmation will also identify any remaining lender credit toward third party charges OR discount to buy the rate down.

Business Rule: Changing from Borrower paid to Lender paid is not a valid change of circumstance. Subsequently, LON Pricer does not support forward locks without clear terms & delineating Lender Paid or Borrower paid compensation. All lender credits (or excess premium) must be applied to third party charges or as discount to buy the rate down.

Note: LONPricer does not support a "processing" fee to the Broker. MU1/MU4 independent contract processors will be treated as “fee for service rendered” third party vendors. The relationship must not involve an ABA or otherwise affiliated. The dollar amount is considered a zero tolerance fee & validated prior to disclosing the loan as a lock or float.

All loans must meet QM rules below:

- Loan amounts >100K is 3%
- Loan amounts >60K but <100K is 3K
- Loan amounts of 20K but less than 60K is 5%
- Loan amounts of 12.5K but less than 20K is 1K
- Loan amounts less than 12.5K is 8%

Note: HPML testing will occur throughout the registration and approval process. You will be notified of an HPML fail or Rebuttable Presumption warning.