

# LENDERS COMPLIANCE GROUP

## FAQs OUTLINE

### LOAN ORIGINATOR COMPENSATION FINAL RULE ON LOAN ORIGINATOR COMPENSATION (RULE)

VERSION 24 – MAY 14, 2012

August 26, 2009: Federal Reserve Board (FRB) publishes a Proposed Rule in the Federal Register pertaining to closed-end credit. As part of that proposal, the FRB seeks to prohibit certain compensation payments to loan originators and steering consumers to loans not in their interest because it will result in greater compensation for the loan originator. December 24, 2009, Comment Period of the Proposed Rule expires.

July 21, 2010: Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA) is enacted into law. Among other provisions, Title XIV of the DFA amends the Truth in Lending Act (TILA) to establish certain mortgage loan origination standards.

August 16, 2010: FRB publishes Final Rules amending Regulation Z.

September 24, 2010: FRB issues final rulemaking and official staff commentary with respect to the loan originator compensation rules and anti-steering provisions (Rule).

January 26, 2011: FRB issues Compliance Guide for Small Entities on Loan Originator Compensation and Steering.

July 21, 2011: Pursuant to Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Consumer Financial Protection Bureau (CFPB or Bureau) received its exclusive rulemaking and examination authority from the Federal Reserve Board over the Truth in Lending Act and its implementing regulation, Regulation Z.

October 6, 2011: Multi-State Mortgage Committee (MMC) issues "State Nondepository Examiner Guidelines for Regulation Z - Loan Originator Compensation Rule." These revised examination procedures supersede the Regulation Z interagency examination procedures.

The Rule applies to closed-end transactions secured by a dwelling where the creditor receives a loan application on or after April 1, 2011. Due to litigation, the April 1, 2011 implementation date was temporarily stayed. The stay was dissolved. The effective date of the Rule is April 6, 2011.

The Rule placed restrictions to protect consumers against the unfairness, deception, and abuse that can arise with certain loan origination compensation practices, generally prohibits payments to loan originators based on loan terms and conditions, eliminates dual compensation to originators by consumers and any other person, and prohibits "steering" consumers to loans to receive greater compensation.

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