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Don't Be Fooled: New Rules on Mortgage Loan Originator Compensation Become Effective April 1st

April 1, 2011 is the effective date for new provisions under Regulation Z that place restrictions on loan originator compensation and on steering by loan originators. These rules, which apply to closed-end loans secured by a consumer's dwelling, prohibit:

- Payments based on the loan's interest rate or other terms. Payments based upon a fixed percentage of the loan amount, however, are expressly allowed.
- Payments to a mortgage loan originator received directly from a consumer if that mortgage loan originator is also receiving compensation from the lender or any other party.
- Steering a consumer to a loan with less favorable terms in order to increase the loan originator's compensation. A safe harbor process is available to ensure compliance with this anti-steering requirement.

These new requirements will apply to compensation related to covered applications received on or after April 1, 2011. Financial institutions must also retain records documenting how mortgage loan originators are compensated for a minimum of two years from the date each mortgage loan is consummated.

If you have any questions about this rule or if you would like assistance in the review or revision of your institution's mortgage loan originator compensation process, please contact [T. Wayne Hood](mailto:whood@millermartin.com) at whood@millermartin.com | 615.744.8421 or any member of Miller & Martin's [Financial Services Practice Group](#).

The opinions expressed in this bulletin are intended for general guidance only. They are not intended as recommendations for specific situations. As always, readers should consult a qualified attorney for specific legal guidance. Should you need assistance from a Miller & Martin attorney, please call 1-800-275-7303.

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