




Lenders Compliance Group

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Wednesday, July 13, 2011

Hearing: FRB Testimony on LO Compensation

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On Wednesday, July 13, 2011, the Insurance, Housing and Community Opportunity Subcommittee (Committee of Financial Services) held a hearing, entitled "Mortgage Origination: the Impact of Recent Changes on Homeowners And Businesses."

The overall purpose of the hearing was to evaluate recent changes to mortgage origination laws, with particular focus on the impact the new laws and regulations have on consumers and credit availability in the mortgage finance markets.

During the hearing, Sandra Braunstein, the FRB's Director of Division of Consumer and Community Affairs seemed to state that the loan officer employees of loan originators (i.e., brokers) would not be required to be paid only by a salary on consumer-paid transactions, but may also be paid "bonus" commissions.

Her testimony today actually supports my understanding of her statement to this Subcommittee.

[See page 8-9 of Director Braunstein's submitted testimony in our [Library](#).]

Under the new TILA loan compensation rule, if a loan is brokered and the consumer is paying the broker fee, then the branch manager, the loan officer, and all the other employees may only be paid a salary or hourly wage.

Similarly, bonuses and referral fees to tellers, processors, and other staff are not be permitted for a brokered loan when the borrower pays broker fees or other origination fees to the broker.

Perhaps I did not understand fully Director Braunstein's remarks. But if that aspect of the Rule is changed, then this would be a significant relief to mortgage brokers.

In any event, the details and facts must be considered. So further clarity will be needed to determine if this is actually a change in FRB policy.

HEARING

The hearing consisted of two panels.

The full text of the testimony of each witness may be found in our [Library](#).

WITNESSES

Panel I

Sandra F. Braunstein, Director of Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System

Teresa Payne, Associate Deputy Assistant Secretary, Regulatory Affairs, Department of Housing and Urban Development

Kelly Cochran, Deputy Assistant Director for Regulations, Consumer Financial Protection Bureau, Department of Treasury

James R. Park, Executive Director, Appraisal Subcommittee, Federal Financial Institutions Examination Council

William B. Shear, Director of Financial Markets and Community Investment, Government Accountability Office

Anne Norton, Maryland Deputy Commissioner of Financial Regulation, on behalf of the Conference of State Bank Supervisors

Panel II

Steve A. Brown, Executive Vice President, Crye-Leike, on behalf of the National Association of Realtors

Henry V. Cunningham, Jr., CMB President, Cunningham & Company, on behalf of the Mortgage

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Tim Wilson, President, Affiliated Businesses for Long & Foster Companies, on behalf of the Real Estate Services Providers Council, Inc.

Anne Anastasi, President, Genesis Abstract and President, American Land Title Association

Mike Anderson, President, Essential Mortgage, on behalf of the National Association of Mortgage Brokers

Marc Savitt, President, The Mortgage Center, on behalf of the National Association of Independent Housing Professionals

Sara Stephens, President Elect, Appraisal Institute

Don Kelly, Executive Director, Real Estate Valuation Advocacy Association (REVAA), on behalf of REVAA and the Coalition to Facilitate Appraisal Integrity Reform

Janis Bowdler, Director, Wealth-Building Policy Project Office of Research, Advocacy, and Legislation, on behalf of the National Council of La Raza

Ira Rheingold, Executive Director, National Association of Consumer Advocates

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Insurance, Housing and Community Opportunity Subcommittee (Committee of Financial Services)

"Mortgage Origination: the Impact of Recent Changes on Homeowners And Businesses"

Witness Testimony - Two Panels

July 13, 2011



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