CSG Section 1.35 Compliance Overview Update

***Note**: Truist specific overlays are underlined.*

Topic	Impacted Document	Impacted Products	Current Standards	Revised Standards

Dual Representation	Section 1.35 – Compliance Overview Standard
	Correspondent Seller Guide
		• Standard Agency (non-AUS, DU & LPA)
		• Agency Plus (DU & LPA)
		• Agency Plus Select (DU & LPA)
		• HomeReady® (non-AUS & DU)
		• Home Possible® (LPA)
		• Texas Section 50(a)(6) Mortgages (non-AUS, DU & LPA)
		• Key
		• FHA
		• VA
		• RD
			Overview
			
			General
			
			• The information and topics contained within this sellers guide is not be deemed to constitute the provision of legal advice by Truist.
			• Correspondent lenders are advised to consult with their legal counsel or compliance managers for additional information, interpretation and/or requirements related following topics.
			
			Loan Originator (LO) Compensation
			
			Overview
			
			• Revisions to Regulation Z imposes new requirements governing loan originator compensation and steering that became effective with all loan applications received on or after April 1, 2011. The purpose of these revisions are to protect consumers in the mortgage market from unfair or abusive lending practices that can arise from certain loan originator compensations practices, while preserving responsible lending and sustainable homeownership.
			• These requirements prohibit:
			  • a loan originator from receiving compensation from both the consumer and any other person (including the lender) on a given transaction.
			  • a loan originator from steering a consumer to a transaction based on the fact the originator will receive greater compensation from the creditor in that transaction than in other transactions the originator offered or could have offered to the consumer, unless the transaction is in the consumers interest.
			  • payments to the loan originator that are based on the loan's interest rate or other terms. Compensation that is based on a fixed percentage of the loan amount is permitted.
			• Penalties for non-compliance with these new regulations are severe. In addition to the penalty risk for the originating lender, in certain cases, the cost of penalties for violations will act as a reduction to a secondary market investor's recovery in foreclosure, so we must work together to mitigate risk associated with non-compliance.
			• The definition of loan originator compensation is very broad under the regulation, so it is prudent to review them carefully to understand how they apply to your business.
			• The final rules, which apply to closed-end loans secured by a consumer's dwelling, will:
			  • Prohibit payments to the loan originator that are based on the loan's interest rate or other terms. Compensation that is based on a fixed percentage of the loan amount is permitted.
			  • Prohibit a mortgage broker or loan officer from receiving payments directly from a consumer while also receiving compensation from the creditor or another person.
			  • Prohibit a mortgage broker or loan officer from "steering" a consumer to a lender offering less favorable terms in order to increase the broker's or loan officer's compensation.
			  • Provide a safe harbor to facilitate compliance with the anti-steering rule.
			• The safe harbor is met if: The consumer is presented with loan options for each type of transaction in which the consumer expresses an interest (that is, a fixed rate loan, adjustable rate loan, or a reverse mortgage); and the loan options presented to the consumer include the following:
			• The lowest interest rate for which the consumer qualifies;
			• The lowest points and origination fees, and
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				General
				
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The lowest rate for which the consumer qualifies for a loan with no risky features, such as a prepayment penalty, negative amortization, or a balloon payment in the first seven years.
A few highlights outlining the similarities and differences between “Borrower Paid Compensation” and “Lender Paid Compensation” are as follows:
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Lenders are responsible for compliance with all applicable laws, regulations and Truist policy.
Loans that fail to comply with these rules will not be eligible for purchase by Truist.
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Dual Representation
These types of transactions are not eligible for purchase by Truist, and Truist will not knowingly purchase any loan that has this type of relationship. This includes any transaction in which the Mortgage Loan Officer acts in a dual capacity, dual agency, or as a dual representative, and/or in any manner in which dual compensation would result. This could include, for example, Real Estate commissions, Title/Closing/Escrow/Settlement transactions, etc.
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