

## **Introduction**

Midwest Loan Solutions, Inc. (MLS) is committed to the highest standards of Federal and state borrower compliance. MLS requires all management, employees and third-party originators and vendors to follow these policies and to adhere to these standards.

The purpose of this policy is to ensure MLS and its third party originators are complying with the requirements of the provisions of Regulation Z and to implement borrower protection mechanisms as required by Federal regulation.

The standards set out in this policy represent minimum requirements based on applicable legal and regulatory guidance and apply throughout MLS's operations. In accordance with MLS's policy, the Anti-Steering policy and procedures described herein shall apply to all residential mortgage transactions and represent the full scope of products, property types, branches and geographic locations.

## **Background**

Regulation Z requires MLS to refrain from paying loan originators based on the terms and conditions of individual loans except for the amount of the loan. Regulation Z also prohibits loan originators from steering borrowers toward loans with adverse terms and conditions based on the compensation they are paid.

As outlined in the Loan Originator Compensation Policy, MLS compensates the loan originator based on loan amount and not any direct or proxy term of the loan. The loan originator receives no compensation benefit by steering the borrower to any of MLS's mortgage products over another.

## **Review Requirement**

MLS requires this policy and procedure to be reviewed no less than annually or when Federal regulation is amended and such amendments apply to MLS and its third party originators.

## **Anti-Steering Rules under TILA**

### **1. Loan Steering**

For purposes of Regulation Z, steering a borrower to consummate a particular credit transaction means advising, counseling or otherwise influencing a borrower to accept that transaction. For such actions to constitute steering, the borrower must actually consummate the transaction in question. The rule does not address the actions of a loan originator if the borrower does not actually obtain a loan through that loan originator.

### **2. TILA Prohibition on Steering**

The Bank shall comply with the TILA anti-steering provisions, which prohibit mortgage originators from steering, directing, advising, counseling or otherwise influencing a borrower to accept a particular transaction based on the fact that the originator will receive greater compensation if the borrower accepts that particular loan unless the loan is in the borrower's interest.

### **3. Safe Harbor**

The anti-steering provision provides a safe harbor that will be met if:



- The borrower is presented with loan offers for each type of transaction in which the borrower expresses an interest; and
- The loan options presented to the borrower include all of the following:
  - The lowest interest rate for which the borrower qualifies
  - The lowest points and origination fees
  - The lowest rate for which the borrower qualifies for a loan with no risky features, such as a prepayment penalty, negative amortization or a balloon payment in the first seven years

Fewer than three loans may be presented if the anti-steering requirements above are met and the loans are in the borrower's best interest.

#### **4. Determination of the Borrower's Interest**

MLS shall determine whether the contemplated transaction is in the borrower's interest and require that an originator compare the transaction with other possible loan offers available and for which the borrower would likely qualify.

#### **5. Type of Transaction**

A transaction does not violate the anti-steering provision if the borrower is presented with loan options that meet the conditions for each type of transaction in which the borrower expressed an interest. The term "type of transaction" refers to whether:

- A loan has an annual percentage rate that cannot increase after consummation
- A loan has an annual percentage rate that can increase after consummation
- A reverse mortgage

#### **6. Loan Options Presented**

There is no required format for presenting the offers, as outlined above. The third party originator may use a proprietary form or one that is provided by an Investor as long as it is easily understood by the borrower and meets the requirements listed above.