

## **Broker Compensation**

Every broker loan registered with MLS will be identified per the Broker Registration form as either a borrower-paid or lender-paid depending on whether the broker is being compensated by the borrower or by MLS. Because borrower-paid and lender-paid loans are priced differently, the broker must work with the borrower at the time of application to determine who will pay the compensation. Based on the source of compensation, the following rules will apply:

Borrower-Paid Compensation	Lender-Paid Compensation
Broker and borrower can directly negotiate the broker's compensation; it can vary per transaction.	Broker and lender will set the broker's compensation percentage in advance. The percentage cannot vary per transaction.
The creditor is legally responsible for all errors and defects therefore MLS must prepare the deliver the initial Loan Estimate	The creditor is legally responsible for all errors and defects therefore MLS must prepare the deliver the initial Loan Estimate
Reason for fee reduction needs to be clearly stated on the broker registration form (ex. to offset closing costs)	If the lender pays the broker's compensation, the broker may not receive compensation from any other source.
The borrower may pay the broker's compensation using the borrower's funds (ex. with what is brought to closing) or through loan proceeds (ex. a cash-out refinance).	The lender will pay the broker's compensation at closing. The broker's compensation will be factored into the price of the loan
The broker may lower their compensation or provide a credit to cover 3rd party costs or to cover QM tolerance or high-cost violations (unforeseen circumstance)	The broker's compensation percentage cannot vary. This means the broker cannot reduce its compensation or cover 3rd party costs or tolerance violations on any lender-paid transaction.
The broker may earn a different amount on every borrower paid loan.	At least quarterly, the Broker Owner may select a different compensation %, to apply to on all loans submitted after the Adjustment Date.
If the borrower pays the broker's compensation, the broker may not receive compensation from any other source	Maximum Broker Compensation applies to all states
If the borrower pays the brokers compensation it cannot exceed the maximum percentage of the agreed broker compensation agreement	
Maximum Broker Compensation applies to all states	

**Note: MLS reserves the right to reject any application if any of the above rules are not met.**

**Note: Changes in borrower-paid compensation must follow fair lending and LO comp regulations and cannot be based on terms of the loan transaction nor proxy thereof.**