



Loan Officer Compensation Policy

MortgagePros, LLC. (“MortgagePros”) shall remain in compliance with all applicable laws and regulations with regard to the payment of compensation to its mortgage loan originators (LOs), including licensed team leads and division leaders. MortgagePros shall not pay commissions on mortgage loan transactions to non-licensed individuals pursuant to this policy, MortgagePros’ Employee Handbook, and applicable federal and state laws and regulations.

Background

Regulation Z to the Truth in Lending Act prohibits certain compensation to loan originators including payments based on the terms of a transaction and dual compensation. Regulation Z also prohibits steering, mandatory arbitration clauses and waivers of certain consumer rights, and financing credit insurance. Loan originator qualification requirements and identification are also covered by Regulation Z. Regulation Z requires loan originators to be registered and licensed in accordance with state or federal law including the SAFE Act.

The Dodd-Frank Wall Street Reform and Consumer Protection Act continued efforts to strengthen loan originator qualifications and regulate compensation practices and created the Consumer Financial Protection Bureau (the CFPB). The CFPB issued the 2013 Loan Originator Rule to implement the new Dodd-Frank Act requirements related to loan originators’ licensing and registration, training, screening, and compensation. The 2013 Loan Originator Rule also implemented amendments to Regulation Z to the Truth in Lending Act and recodified the restriction of certain compensation practices. In November 2019, the CFPB revised the 2013 Loan Originator Rule to reflect additions to the SAFE Act brought by the Economic, Growth, Regulatory Relief, and Consumer Protection Act.

Scope

Although this Loan Officer Compensation Policy primarily addresses LOs and the related regulatory requirements, it also impacts other Sales Department employees including Loan Officer Trainees, Team Leaders, and Division Leaders.

Definitions

Loan Originator (LO or Loan Officer) : a person who, for direct or indirect compensation or other monetary gain, takes an application, offers, arranges, assists a consumer in obtaining or applying to obtain, negotiates, or otherwise obtains or makes an extension of consumer credit for another person or through advertising or other means of communication represents to the public that such person can or will perform any of these activities. This includes an employee, agent, contractor or creditor, or loan originator organization.

Compensation: salaries, commissions, and/or any financial or similar incentive.

Covered Transactions: Almost all closed-end consumer credit transactions secured by a dwelling (including any real property attached to the dwelling).

Credit Terms: rates, fees, and other costs associated with a credit transaction.

Steering: directing a borrower to risky or high-cost loans for the purpose of receiving additional compensation.

Loan Originator Compensation

It is the policy of MortgagePros that LOs shall be paid in accordance with the requirements of the Truth in Lending Act and Regulation Z, the Dodd-Frank Wall Street Reform and Consumer Protection Act, and the 2013 Loan Originator Rule. Compensation shall not be based on any of the following parameters: interest rate, annual percentage rate, existence of a prepayment penalty, loan-to-value ratio(s), debt-to-income ratio(s), credit score(s) of applicant(s), amount of fees collected, existence of mortgage insurance, profitability of individual loans, loan type, loan structure, or any loan term or proxy to a loan term. Loan officer compensation shall be paid entirely by MortgagePros and shall never be paid by the consumer directly to the loan officer. Compensation shall never be based on loan terms or conditions other than a fixed percentage of the loan amount.

Compensation to an LO may be based on a tiered system under which the LO is compensated based on a fixed percentage of overall funded loan volume. Achievement of various tiers may be based upon achieving a target in funded units and/or funded dollar volume. LO compensation amounts on individual loans may be subject to minimum and maximum amounts. The negotiated compensation tiers will be reviewed annually and may be adjusted accordingly. Negotiated compensation tiers shall be summarized in variable compensation plans and documented in writing as a variable compensation agreement with each LO.

LOs are prohibited from receiving compensation for loan originations other than as paid by MortgagePros; dual compensation is prohibited.

Compensation Adjustments

Compensation may be recaptured for loans which payoff prior to the term of the original note. Commission is advanced in the month following settlement of the respective loan transaction. Commission shall be considered earned 180 days from the Disbursement Date provided that the LO is in active employment status and the loan is not subject to an Early Pay Off (EPO) charge from the respective investor within this 180-day period. All earned commissions are subject to MortgagePros' Incentive Plan.

Compensation may be subject to review and adjustment if MortgagePros determines:

1. Conditions require overall changes to compensation; or
2. It has reason to believe an LO has:
 - a. violated any law, regulation, investor guideline, agreement, Company policy or procedure,
 - b. acted improperly with a consumer,
 - c. engaged in self-dealing, or
 - d. acted purely in their own interest without regard to and inconsistent with the interests of MortgagePros and/or the consumer.

In the event an LO's compensation is evaluated for adjustment, a variety of criteria may be considered, including quality of loan files, loan volume, loan performance, and any factors that may be considered compliant with applicable laws and regulations. In no event, will compensation be reevaluated or impacted by the specific terms of a loan or loans.

Compensation of Team Leaders and Division Leaders

Compensation of Team Leaders and Division Leaders is based on negotiated compensation terms and shall be summarized in variable compensation plans and documented in writing as a variable compensation agreement. Managers eligible to earn compensation based on financial results or other proxies

of loan terms shall not originate mortgage loans on behalf of MortgagePros. Team Leaders or Division Leaders eligible for volume override compensation will not receive override compensation on their personal production.

In the event a manager's compensation is evaluated for adjustment, a variety of criteria may be considered, including quality of loan files, loan volume, loan performance, and any factors that may be considered compliant with applicable laws and regulations. In no event will compensation be reevaluated or impacted by the specific terms of a loan or loans.

Compensation of Loan Officer Trainees

Loan Officer Trainees assist LOs with various loan origination tasks. Incentive compensation agreements in which compensation is shared between a Loan Officer Trainee and an LO shall be documented in writing and approved by the appropriate Division Leader and Human Resources.

A Loan Officer Trainee who is not licensed may not perform tasks such as taking an application, offering or negotiating terms of a loan, or representing themselves to be a licensed LO.

Termination Provisions

Effective April 1, 2024, upon termination of employment, the LO will be paid on earned commissions including all loans with a disbursement date up to and including the termination date. The Commission for the respective loan transaction will be paid out at the highest qualifying tier met by the departing LO.

Compensation Agreements

All compensation arrangements shall be documented in writing, signed by each employee, and provided to Human Resources for inclusion in applicable personnel files.

Third-Party Costs

All third-party costs (including credit report fees, flood certification fees, and appraisal fees, etc.) are managed by MortgagePros. These costs and fees are determined through agreements with the third parties. LOs and other employees do not have the ability to influence or change these fees or accept fees payable to any entity other than MortgagePros does not charge more than the actual cost of third-party fees.

Anti-Steering

LOs shall not "steer" a borrower to a transaction based on the fact the LO will receive greater compensation on that transaction or to a transaction that is not in the best interest of the borrower. All LOs must adhere to the Anti-Steering Rules described in MortgagePros' Compliance Manual and as outlined in federal and state laws and regulations.

Record Retention

MortgagePros shall maintain adequate records of compensation payments as required by federal and state law for both active and terminated employees. Compensation information shall be retained for a minimum of two years.

MortgagePros shall review its compensation policies annually and will maintain historical compensation information to the extent required by applicable law.

Loan Officer Compensation Policy and Incentive Plan Acknowledgement Form

I hereby acknowledge and agree:

1. That I have received and read a copy of the Loan Officer Compensation Policy and agree to abide by the terms set forth in this Policy.
2. That I have received and read a copy of the most recent corresponding Incentive Plan and agree to the terms set forth in this Plan.
3. That I will comply with the provisions, rules, and regulations outlined in the Loan Officer Compensation Policy.
4. That this original acknowledgment will be placed in my personnel file and maintained by the Human Resources department.

Name of Employee (printed)

Employee Signature

Date

Name of Authorized Company Representative (printed)

Authorized Company Representative Signature

Date