

## BROKER COMPENSATION ADDENDUM

This Broker Compensation Addendum (“Addendum”) to Broker Agreement is entered into by and between Residential Bancorp (“Lender”), and \_\_\_\_\_, (“Broker”) (hereinafter collectively referred to as the “Parties”) dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_. Any capitalized terms used but not otherwise defined herein shall have the same meaning assigned to such term in the Wholesale Broker Agreement.

### RECITALS

- A. WHEREAS, Lender and Broker entered into that certain Wholesale Broker Agreement (“Agreement”) dated as of \_\_\_\_\_, 20\_\_\_\_\_. (Date of your Wholesale Broker Agreement);
- B. WHEREAS, Broker may, from time-to-time and at its option, submit completed application packages for residential mortgage loans to Lender for underwriting review, and possible funding;
- C. WHEREAS, Lender or Borrower may, from time to time, pay compensation to Broker for loans that are submitted by Broker and subsequently approved and funded by Lender;
- D. WHEREAS, the Parties acknowledge that the Federal Reserve Board has amended Regulation Z (12 CFR Part 1026) (“Amendment”) relating to Loan Originator Compensation and Anti-Steering, and compliance with these rules is mandatory and apply to transactions for which Lender receives a loan application on or after April 1, 2011;
- E. WHEREAS, the Parties further acknowledge that the Amendment referenced in Section D above requires that all Lender paid compensation to Broker, or any other loan originator, must be pursuant to a predetermined and fixed written compensation agreement between the Parties and cannot be based on the interest rate, product, or any other term or condition of a particular loan;
- F. WHEREAS, the Parties are hereby supplementing the Agreement between the Parties to meet the requisite compliance standards mandated by said Amendment.

NOW, THEREFORE, in consideration of the RECITALS set forth above and subject to the mutual promises and covenants set forth below, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. **Effective Date.** The Effective Date of this Addendum shall be for all loan applications submitted to Lender on or after \_\_\_\_\_, 20\_\_\_\_\_.
2. **Loan Originator.** Pursuant to the Dodd-Frank Act (the “Act”), a Loan Originator shall be defined as any person who, (1) “takes a residential mortgage loan application”, (2) “assists a consumer in obtaining or applying to obtain a residential mortgage loan”, or (3) “offers or negotiates terms of such a loan.” For the purposes of the Agreement and this Addendum, Broker shall be considered a Loan Originator under the definition of the Act.
3. **Form of Broker compensation:** For every loan transaction submitted to Lender, Broker must elect only one source of compensation from the options in Section I OR Section II below.

- I. Borrower Paid Compensation. In the event Broker elects to be compensated directly from the borrower, any fees (and the amount of such fees) imposed by Broker upon Borrower have been determined by negotiations between Borrower and Broker, may vary on each individual loan transaction, and such fees may be from the borrower's own funds or loan proceeds. In addition, Borrower paid compensation may include seller concessions. Under a borrower paid loan transaction, the Broker may not receive any compensation directly or indirectly from any other party or entity to the transaction, or outside the transaction, including the Lender.
- II. Lender Paid Compensation. For any loan submitted to Lender that Broker requests to be paid by Lender, Broker shall not be compensated, directly or indirectly, based upon the mortgage transactions terms or conditions, except the amount of credit extended.
  - a. Compensation Amount. In accordance with Regulation Z and Section II above, for any Lender Paid loan transaction submitted to Lender that is approved and funded, Broker shall be paid that percentage selected below multiplied by total funded loan amount ("LPC").

**Lender Paid Compensation amount (Please select ONLY one option)**

2.00%                     
  2.25%                     
  2.50%                     
  2.75%

Notwithstanding the compensation amounts selected above, Lender shall reserve the right to limit the compensation to Broker to meet compliance with state, Federal or investor rules, regulations and guidelines.

- 4. **Borrower Paid Compensation Maximum.** It is understood and agreed that the borrower paid compensation amount shall not exceed the then current LPC plan of Broker. For the avoidance of doubt, and by way of example, if Broker's LPC percentage is currently 2.5%, all borrower paid loan transaction must not exceed 2.5%, however, they may be less than 2.5%.
- 5. **Change to Lender Paid Compensation.** The Lender Paid Compensation amount as stated in Section 2.II above shall be effective for all loans submitted on or after the Effective Date as stated Section 1 above, and shall continue for such time as the Agreement remains in full force and effect. The LPC amount as stated in Section 3.II(a) above may be amended by a subsequent written addendum after expiration of not less than Sixty (60) days from the Effective Date. Any Broker becoming approved with Lender for the first time, which has not been previously approved with Lender, may elect to amend this Addendum one time within the first Ninety (90) days from the Effective Date, provided Broker has not been paid by Lender on a Lender Paid Compensation transaction pursuant to this Addendum.
- 6. **Dual Compensation Prohibited.** In the event that Broker elects to be compensated by the Lender in a specific loan transaction, Broker hereby understands and agrees that Broker, or any agent of Broker, may NOT be compensated in any manner by the borrower, or a third party, outside of the loan transaction. This provision shall not prohibit a Broker from being compensated from a third party for another unrelated loan transaction.
- 7. **Compliance with Regulation Z.** Broker hereby acknowledges that they have reviewed the amendments to Regulation Z (12 CFR Part 1026), and fully understand the compliance requirements contained therein. This Addendum in not intended to, and shall not be construed as a comprehensive list of all regulatory and compliance requirements mandated by the Amendment and shall only be used to govern compliance to the extent required between the Parties.

Broker further understand and agrees that Broker will be required to evidence compliance with Anti-Steering – Safe Harbor guidelines by providing a copy of their Anti-Steering, Loan Option Disclosure signed and dated by the

borrowers with every loan package submitted to Lender for which Broker seeks to be compensated by Lender. The Anti-Steering disclosure must include the following:

- i. The loan with the lowest interest rate;
  - ii. The loan with the lowest interest rate without negative features; and
  - iii. The loan with the lowest total dollar amount for origination points or fees and discount points.
8. **Excess Lender Credit.** In a Lender Paid transaction a borrower may choose a higher interest rate to cover third-party closing costs only. Any unused excess amount of lender credit remaining after payment of third-party closing costs shall be returned to the Lender and applied as a principal reduction on the subject loan. None of the excess amounts may be paid to Broker as compensation.
9. **Continuing Obligations.** Notwithstanding anything to the contrary herein, any and all obligations of Broker that have or may arise under the Broker Agreement, with respect to loans previously funded by Lender, shall continue to remain in full force and effect.
10. **Continuing Effect.** This Addendum shall not affect Brokers obligations with respect to any loans that Lender funds or has funded from Broker prior to the execution of this Addendum.
11. **Entire Agreement.** Except as expressly provided otherwise, this Addendum shall constitute the entire agreement between the parties relating to the subject matter hereof and there are no other agreements, representations, warranties or conditions other than those contained herein. Except as specifically set forth herein, the Broker Agreement shall continue to apply with full force and effect. To the extent that there is any conflict between the terms of the Broker Agreement and this Addendum, this Addendum shall control unless this Addendum provides otherwise.
12. **Attorney's Fees.** If either party brings suit or other proceedings against the other as a result of any alleged breach or failure by the other party to fulfill or perform any covenants or obligations under this Addendum, then the prevailing party shall be entitled to reasonable attorney's fees.
13. **Choice of Law.** This Agreement shall be governed by, construed and enforced in accordance with the laws of the state of California. This Agreement shall be enforced or otherwise adjudicated only in the Superior Court, County of Orange, state of California.
14. **Execution in Counterparts.** This Agreement may be executed in any number of counterparts. Each counterpart shall be deemed to be an original and all such counterparts shall constitute one and the same.
15. **Assignment.** Broker may not assign this Addendum or any of the obligations or duties hereunder without the prior written consent of Lender.

[This section intentionally left blank]

IN WITNESS HEREOF, the parties hereto have entered into this Addendum as of the day and year first written above.

**LENDER**

Date: \_\_\_\_\_

\_\_\_\_\_  
**Corey Wood, CEO**  
**Residential Bancorp**

**BROKER**

Date: \_\_\_\_\_

\_\_\_\_\_  
**Signature**

By \_\_\_\_\_

Title \_\_\_\_\_