

BROKER MEMO

Date: December 3, 2015

Subject: Wholesale Compensation Open Enrollment
Due by December 28, 2015 for an Effective Date of January 1, 2016

Sierra Pacific has narrowed the range of compensation options to our mortgage broker customers due to QM implementation and potential issues with pricing disparity. Broker customers are now offered different pricing options depending on the regional center as listed on page one of the January 1, 2016 Compensation Addendum.

The updated compensation will become effective on loan applications dated January 1, 2016.

PLEASE NOTE: *Sierra Pacific no longer offers a “MINIMUM” compensation allowance!* If the current compensation agreement we have on file contains a minimum compensation amount, please provide us an updated agreement.

Please return completed Compensation Agreements to your Account Executive no later than December 28, 2015.



Broker Agreement Addendum – Compensation Agreement

Effective Date: Loan applications **taken** on or after January 1, 2016

Legal Company Name: _____ (broker)

DBA: _____

Company NMLS Number: _____ SPM Broker Code: _____

Company Street Address: _____

City: _____ State: _____ Zip Code: _____

Phone Number: _____ Fax Number: _____

This addendum is incorporated into and constitutes a part of the mortgage broker agreement contract between Broker and Sierra Pacific Mortgage Company, Inc., (sometimes doing business as 1st National Mortgage Services or Sierra Pacific Mortgage Services, Inc. (fn) hereinafter referred to as "Sierra":

LENDER PAID COMPENSATION

Please enter the % of the loan amount, the flat fee or a combination of the two that will be used to calculate the origination fee the Broker will receive as compensation per loan on lender-paid transactions.

Region (the Regional Operations Center you submit your loans to)	Minimum Percentage Allowed	Maximum Percentage Allowed
San Diego	1.25	2.25
Orange County	1.25	2.25
San Francisco Bay Area	1.00	2.75
Mid-Atlantic Regions	1.25	2.50
All Other Regions	1.50	2.75

Broker acknowledges and agrees that all loans with lender paid compensation will be based on the following:

_____ % per loan as calculated on the total loan amount. (See Regional Table above)

Flat Fee*: \$ _____ (FLAT FEE DOES NOT CONSTITUTE A MINIMUM COMPENSATION AMOUNT)

(Optional): Maximum (cap) of \$ _____ * Maximum compensation will include the flat fee (if selected).

NOTE: MINIMUM COMPENSATION AMOUNTS ARE NOT ALLOWED

All compensation paid will be subject to federal and state agency guidelines, or any regulatory predatory lending calculations and restrictions. Maximum amounts must be whole dollars only.



ANTI-STEERING AND SAFE HARBOR COMPLIANCE

Broker hereby represents, warrants and covenants that, with regard to each loan and loan file that Broker submits to Sierra: (i) Broker, and Broker's officers, employees and agents (together, "Representatives") at all times have complied, and will continue to comply, with any and all Law (defined below), (ii) Broker and its Representatives have not, and will not, steer any borrower into consummating a transaction that is not in the borrower's best interest, or that results in the Broker or any other person receiving greater compensation other than expressly permitted under 12 C.F.R. §226.36, (iii) Broker has presented, and will present, to each borrower a written loan options disclosure fully satisfying the "Safe Harbor" requirements provided for in 12 C.F.R. §§ 226.36(e)(2) and 226.36(e)(3).

As used herein, the term "Law" means any and all applicable Federal, state and local laws, statutes, regulations, rules, orders, ordinances and requirements, each as amended from time to time, including (without limitation) the provisions governing compensation to loan originators under the Truth In Lending Act (15 U.S.C. §§ 1601 et. seq.) and Regulation Z (12 C.F.R. §§ 226.1 et.seq.), and the "Anti-Steering" and "Safe Harbor" provisions specifically provided for as 12 C.F.R. § 226.36(e).

Broker hereby acknowledges and represents that Broker has read the foregoing, understands it, is signing this document voluntarily, and understands that, in continuing to do business with Broker, and for each loan file the Broker submits, Sierra is relying on the representations, warranties and covenants provided for herein. No oral representations, statements or inducements apart from the foregoing written agreement have been made. The signatory below has been duly authorized to execute this Addendum for Broker as per the appropriate resolution, licensing or current broker agreement on file with Sierra.

Broker of Record / Authorized Signer

Print Name

Date



Broker Compensation Questionnaire and Acknowledgement

Broker hereby acknowledges that Broker must comply with the loan originator compensation rules under 12 C.F.R. §226.36 ("Compensation Rules") for all loan files received by Sierra Pacific Mortgage Company, Inc., (sometimes doing business as 1st National Lending Services or Sierra Pacific Mortgage Services, Inc. (fn)) hereinafter referred to as "Sierra".

PLEASE INITIAL EACH BOX BELOW. By initialing below, Broker represents, warrants and covenants, with respect to every loan file submitted to Sierra, as of the date of submission, and at all times thereafter, as provided below:

Plan Components	Initials
Any and all of Broker's compensation plans for its loan officers are fully compliant with the requirements of the Compensation Rules	
None of Broker's compensation agreements are based on any term or condition of any particular loan or transaction other than the loan amount, or any "proxy" for any term or condition of any loan or transaction, as such terms are used in the Compensation Rules, including by way of example but not limitation, LTV, existence or lack of a prepayment penalty, program type (FHA, VA, conventional), interest rate or APR, consumer's credit score, purchase vs. refinance, 1st vs. 2nd lien and similar items.	
For every loan where any compensation is paid directly by the consumer, as such phrase is used in the Compensation Rules, compensation to Broker's loan officers, compensation reductions are not / were not based on a loan term or a proxy for a loan term.	
For every loan where compensation is NOT paid directly by the consumer, as such phrase is used in the Compensation Rules, Sierra will pay solely on a fixed percentage of the loan amount, subject to any fixed minimum or maximum dollar limits established by Sierra in advance.	
For every loan where compensation is NOT paid directly by the consumer, as such phrase issued in the Compensation Rules, neither Broker nor any of its loan officers will receive compensation from any other person or entity in connection with that loan.	
Broker will include with every loan file submitted to Sierra, factual documentation of compliance with the safe harbor and anti-steering provisions of the Compensation Rules, including copies of an executed Loan Options Disclosure.	
Records of compensation policies and of the loan-level compensation paid to loan originators will be retained for a minimum of five (5) years or such longer period as may be required by law. At any time upon reasonable request, Broker will provide Sierra the ability to access and copy all such records for the purposes of determining compliance, or provide copies as requested for purposes of conducting an audit for compliance with loan officer compensation laws or as part of any audit or exam conducted by a federal or state examiner.	