



Rocky Mountain Mortgage Specialists, Inc.
Wholesale Lending Division

BROKER APPLICATION CHECKLIST

Please submit the following items for approval:

- 1. Completed Application _____
- 2. Signed and dated Agreement _____
- 3. Corporate Resolution (Form Attached) _____
- 4. Resumes of Principals and Key Officers _____
- 5. W-9 Form (Attached) _____
- 6. Most Recent Financial Statement _____
- 7. Check made payable to VA for \$100.00
(if you are applying to submit VA loans) _____
- 8. Copy of your HUD approval letter
(If you are applying to submit FHA loans) _____
- 9. Signed TCPA Agreement _____

- 10. Copies of Company Licenses and Individual
Mortgage Broker Licenses _____

OR

NMLS printout showing current Company
and Individual Licenses.



Rocky Mountain Mortgage Specialists, Inc.
Wholesale Lending Division

BROKER AGREEMENT

THIS AGREEMENT, made and entered into this _____ day of _____, _____, by and between Rocky Mountain Mortgage Specialists, Inc., a corporation organized and existing under the laws of the State of Colorado, having its principal office and place of business at 7075 South Alton Way, Centennial, CO 80112 (hereinafter referred to as "RMMSI") and

_____, (hereinafter referred to as ("Broker")) a _____ (type of entity), organized in the State of _____.

WITNESSETH:

WHEREAS, RMMSI, in the conduct of its business as a mortgage banker desires to have Broker perform, and Broker desires to perform, the service of loan origination for the purpose of submission to and closing a loan with RMMSI;

WHEREAS, Broker is not an agent of RMMSI but desires to submit residential mortgage loans to RMMSI on a non-exclusive basis.

WHEREAS, Broker and RMMSI wish to continue their established relationship or start a new relationship, and both parties agree that all loans, submitted to and/or approved and closed by RMMSI, which were originated by Broker either prior to or after the date of this agreement are hereby included in this agreement and shall be governed by the terms of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and stipulations set forth herein, the parties agree as follows:

1. The undersigned is duly organized, existing and in good standing under the laws governing its creation and existence (both State and Federal) and is duly authorized and qualified to originate Deeds of Trusts or Mortgages. All of the Broker's employees or contract workers have the proper licensing needed by the State and/or any governing entity.
2. All loans submitted for approval to RMMSI will be originated and processed in accordance with all applicable Federal, State and local laws and regulations, including but not limited to, the Real Estate Settlement Procedures Act of 1974 as amended (RESPA), Regulation Z (Truth-in-Lending), Equal Credit Opportunity Act of 1975, Fair Credit Reporting Act, and the Flood Disaster Protection Act of 1973, S.A.F.E. Act, NMLS.
3. Broker will submit to RMMSI completed loan packages under such programs, terms and requirements as set forth by RMMSI and/or FNMA or FHLMC or FHA or VA or USDA. With submission of the application, Broker will furnish to RMMSI at Broker's expense credit, financial and other information as RMMSI requires in order to investigate and consider the application and Broker shall, at Broker's expense, perform such other functions as RMMSI requires to facilitate the closing of the loan transaction. Nothing in the Agreement, however, shall be construed as creating any obligation of RMMSI to accept the applications and/or grant the loan requested. All such applications shall be governed entirely by the requirements of RMMSI.
4. All documentation will be originated and processed directly by Broker (i.e. no third party brokered loans). No other party will be paid by the Broker directly or indirectly except for Broker's employees or as disclosed on the HUD I at closing.
5. Any fees, commissions and other consideration to be received by Broker with regard to any application tendered to RMMSI will be paid by RMMSI after deducting all fees, costs incurred from any third party on any loan and charges due RMMSI as specified in its pricing schedules. No consideration of any kind shall be due or payable on any loan transaction that is not funded and closed by RMMSI. No consideration of any kind shall be due and payable on any loan closed by RMMSI until RMMSI is in receipt of all documentation required for said closing and/or purchase by the investor. Any Third Party fees, incurred by RMMSI on a Broker loan,, will be paid to RMMSI by the Broker upon request. Any errors in any payment to a Broker will be refunded to RMMSI upon request.



Rocky Mountain Mortgage Specialists, Inc. Wholesale Lending Division

6. Broker understands and agrees that the total maximum compensation on all loans is limited to a total of four percent of the loan amount. This compensation limitation includes, but is not limited to: YSP, either origination fee or broker fee if origination fee is not allowed and processing fees collected at closing and paid to Broker. Reimbursable actual third part vendor costs are not included in the 4%. Discount points shall not be paid to a Broker.
7. RMMSI and Broker agree that the Broker is neither an agent nor an employee of RMMSI, and may not be construed as such by reason of this Agreement. Instead, Broker is hereby expressly prohibited from holding itself out as an agent, representative or employee of RMMSI, or having any endorsement from or affiliation with RMMSI. Broker is specifically prohibited from using RMMSI's name in any form of advertising.
8. The undersigned Broker shall defend, indemnify, and hold harmless RMMSI, its agents, employees, successors and assignees against and from any suits for claims against RMMSI in connection with loan applications submitted by Broker. Broker agrees to pay for any cost to defend against any suit brought against Broker or RMMSI in relationship to any loan submitted to RMMSI by the Broker. The right of indemnification provided by this paragraph shall be in addition to and shall in no way limit or restrict any other rights or remedies under applicable law.
9. Broker understands that loan delivery is mandatory, if the loan closes. Broker agrees that any loan application locked with RMMSI will be processed solely for delivery to RMMSI, and will not be locked in with any other lender unless RMMSI denies the loan. Broker further agrees to comply with RMMSI's loan lock-in policy. Violation of this covenant will be \$1000 or 1% of the closed loan amount, whichever is greater. Broker will pay RMMSI this amount within 15 days of request by RMMSI.
10. Broker shall make prompt, timely, full, accurate and truthful disclosure to RMMSI of all facts, information and documentation which Broker may know, suspect or have notice of, which could or would effect, or has effected, the approval, validity, ability to collect or enforceability of any loan originated by Broker for approving and/or closing by RMMSI.
11. In regards to loans submitted to the RMMSI by Broker: Broker hereby indemnifies, agrees to reimburse the RMMSI for any costs incurred, and saves and holds RMMSI, it successors and assigns harmless from, against, for and in connection to: any and all damages, losses, obligations, liabilities, liens, deficiencies, costs and expenses including without limitation reasonable attorney's fees and other costs and expenses incident to any suit, investor or RMMSI repurchase request or investor or RMMSI make-whole request, action, investigation, claim or proceeding, whether a formal proceeding with respect to recovery thereof shall be instituted or not, suffered, sustained, incurred or required to be paid by RMMSI, its successors or assigns as a result of (a) the failure of Seller to comply with any such laws or regulations or any violation by Broker of any terms or provisions of this Agreement; (b) any representations or warrants made by Broker herein being untrue or incorrect in any material respect; (c) any errors by Broker in originating any loan; (d) any intentional or not intentional omission of a material fact, by any party to the loan, in connection with any transaction with RMMSI; (e) any fraud or misrepresentation found in any file whether it be from any party to the transaction and/or on any document related to the transaction; (f.) any failure to observe or perform any of the covenants and agreements set forth herein; (g.) Early Payoff or Early Payment Default as described below or Investor or RMMSI Repurchase Request or Investor or RMMSI Make-Whole request.

Broker agrees that if any mortgage loan: fails to conform with the representations and/or warranties or covenants herein, contains any fraud or becomes an Early Payoff or Early Payment Default or Investor or RMMSI Repurchase or Investor or RMMSI Make Whole Request, Broker will reimburse RMMSI for any and all losses: including but not limited to: losses due to deficiencies, any costs and expenses suffered, sustained or incurred by RMMSI in relation to any Broker loan, losses in relation to marketing a property for sale, all foreclosure related costs, loss of interest, any type of funds due to an investor in connection with an Early Payment Default or Early Payoff or a misrepresented file. Said losses may be reasonably determined by RMMSI. Broker will promptly and willingly reimburse RMMSI for all losses as stated above in addition to all fees paid to Broker by RMMSI and/or any party including the seller or borrower in association with the Broker's loans. Such payment shall be made with 15 days of RMMSI's demand.

Early Payoff (aka EPO): RMMSI will require Broker to repay any premium, (over par) pricing, service release premium, yield spread premium to the broker or borrower, investor penalty or charges and/or any type of Broker compensation on any loan, if it is paid off prior to the borrower making the 6th monthly payment to RMMSI or the 6th monthly payment to the investor RMMSI sells the loan to. Such payment shall be made from the Broker to the RMMSI within 15 days of demand by RMMSI.



Rocky Mountain Mortgage Specialists, Inc.
Wholesale Lending Division

Early Payment Default (aka EPD): Should any loan become more than 60 days delinquent during the first 12 months, or per the Servicers Early Payment Default Policy (if its policy is less restrictive), the loan will be considered an Early Payment Default.

On Conventional, FHA and VA loans, the broker may be given the opportunity or may be required to repurchase the loan based on RMMSI figures or the Servicers figures, at the discretion of RMMSI. If the loan is not repurchased by the Broker, then losses as stated in #11 may apply. RMMSI will require the Broker to reimburse RMMSI for any type of funds RMMSI loses or is required to pay to the investor for an Early Payment Default. The funds could include Yield Spread Premium paid to the Broker or credited to the borrower, Service Release Premium paid on the loan to RMMSI, plus any penalties or administrative costs or estimated losses assessed by the investor or RMMSI in association with said loan. The Broker shall make such payment to RMMSI within 15 day of demand by RMMSI.

12. Broker agrees to submit within 90 days of the end of Correspondent's fiscal year, current financial statements for review by RMMSI. RMMSI must be notified immediately of changes in licensing, name of corporation or any other pertinent information regarding Broker.
13. Broker cannot assign this Agreement without the express written consent of RMMSI. No assignment shall relieve Broker of any Broker obligations hereunder.
14. Either party may terminate this Agreement at any time upon delivery of written notice of termination. No grounds for termination are necessary, and it may be made with or without cause. Termination will not relieve Broker or the owners of any obligations hereunder.
15. Broker understands that as a matter of prudent business practice, RMMSI conducts both pre-closing and post-closing quality control audits of loans submitted. Should any discrepancy arise, Broker will be advised, and a written response will be requested and must be provided within 10 days. Subject to the individual situation, RMMSI may be required to refer its finding to the appropriate governing agency for further investigation.
16. This Agreement shall be interpreted in accordance with the laws of the State of Colorado. In the event of any dispute arising out of or relating to this Agreement, and if RMMSI is the prevailing party in any court proceeding, RMMSI shall be entitled to recover all reasonable expenses in connection with the proceeding, including but not limited to, costs, attorneys fees and accountants fees.
17. The waiver of any one or more of the covenants, agreements, representations and warranties, terms and conditions shall in no way relieve Broker of its obligations to fully, completely and timely perform hereunder in respect to all other items of the agreement. If any item is deemed to be legally unenforceable, this shall in no way relieve the Broker of its obligations to fully, completely and timely perform hereunder in respect to all other items of this agreement.
18. This does not apply to Banks or Credit Unions. The Broker owners agree to be personally responsible for all items in this Broker Agreement.

Any notices necessary to be given under the provisions of this Agreement will be sufficient if in writing and delivered either by traceable overnight mail or by Certified United States mail, to the addresses listed below.



Rocky Mountain Mortgage Specialists, Inc.
Wholesale Lending Division

Rocky Mountain Mortgage Specialists, Inc.
7075 S. Alton Way
Centennial, CO 80112
Attention: Carol Junta

By: _____

Date: _____

Broker: Name and Address

All owners are required to sign below.
(Except for Banks and Credit Unions)
Authorized Signers:

By: _____

Title: _____

By: _____

Title: _____

Date: _____

Request for Taxpayer Identification Number and Certification

Give Form to the
requester. Do not
send to the IRS.

| | | |
|---|---|---|
| Print or type See Specific Instructions on page 2. | Name (as shown on your income tax return) | |
| | Business name/disregarded entity name, if different from above | |
| | Check appropriate box for federal tax classification (required): <input type="checkbox"/> Individual/sole proprietor <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate <input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶ _____ <input type="checkbox"/> Other (see instructions) ▶ _____ | <input type="checkbox"/> Exempt payee |
| | Address (number, street, and apt. or suite no.) | Requester's name and address (optional) |
| | City, state, and ZIP code | |
| List account number(s) here (optional) | | |

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on the "Name" line to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Note. If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

| | | | | | | | | | | |
|------------------------|--|--|--|---|--|--|--|---|--|--|
| Social security number | | | | | | | | | | |
| | | | | - | | | | - | | |

| | | | | | | | | | | |
|--------------------------------|--|--|--|---|--|--|--|--|--|--|
| Employer identification number | | | | | | | | | | |
| | | | | - | | | | | | |

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. citizen or other U.S. person (defined below).

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 4.

| | | |
|------------------|----------------------------|--------|
| Sign Here | Signature of U.S. person ▶ | Date ▶ |
| | | |

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Purpose of Form

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income.

Note. If a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

Definition of a U.S. person. For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- An estate (other than a foreign estate), or
- A domestic trust (as defined in Regulations section 301.7701-7).

Special rules for partnerships. Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax on any foreign partners' share of income from such business. Further, in certain cases where a Form W-9 has not been received, a partnership is required to presume that a partner is a foreign person, and pay the withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid withholding on your share of partnership income.

The person who gives Form W-9 to the partnership for purposes of establishing its U.S. status and avoiding withholding on its allocable share of net income from the partnership conducting a trade or business in the United States is in the following cases:

- The U.S. owner of a disregarded entity and not the entity,
- The U.S. grantor or other owner of a grantor trust and not the trust, and
- The U.S. trust (other than a grantor trust) and not the beneficiaries of the trust.

Foreign person. If you are a foreign person, do not use Form W-9. Instead, use the appropriate Form W-8 (see Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities).

Nonresident alien who becomes a resident alien. Generally, only a nonresident alien individual may use the terms of a tax treaty to reduce or eliminate U.S. tax on certain types of income. However, most tax treaties contain a provision known as a “saving clause.” Exceptions specified in the saving clause may permit an exemption from tax to continue for certain types of income even after the payee has otherwise become a U.S. resident alien for tax purposes.

If you are a U.S. resident alien who is relying on an exception contained in the saving clause of a tax treaty to claim an exemption from U.S. tax on certain types of income, you must attach a statement to Form W-9 that specifies the following five items:

1. The treaty country. Generally, this must be the same treaty under which you claimed exemption from tax as a nonresident alien.
2. The treaty article addressing the income.
3. The article number (or location) in the tax treaty that contains the saving clause and its exceptions.
4. The type and amount of income that qualifies for the exemption from tax.
5. Sufficient facts to justify the exemption from tax under the terms of the treaty article.

Example. Article 20 of the U.S.-China income tax treaty allows an exemption from tax for scholarship income received by a Chinese student temporarily present in the United States. Under U.S. law, this student will become a resident alien for tax purposes if his or her stay in the United States exceeds 5 calendar years. However, paragraph 2 of the first Protocol to the U.S.-China treaty (dated April 30, 1984) allows the provisions of Article 20 to continue to apply even after the Chinese student becomes a resident alien of the United States. A Chinese student who qualifies for this exception (under paragraph 2 of the first protocol) and is relying on this exception to claim an exemption from tax on his or her scholarship or fellowship income would attach to Form W-9 a statement that includes the information described above to support that exemption.

If you are a nonresident alien or a foreign entity not subject to backup withholding, give the requester the appropriate completed Form W-8.

What is backup withholding? Persons making certain payments to you must under certain conditions withhold and pay to the IRS a percentage of such payments. This is called “backup withholding.” Payments that may be subject to backup withholding include interest, tax-exempt interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee pay, and certain payments from fishing boat operators. Real estate transactions are not subject to backup withholding.

You will not be subject to backup withholding on payments you receive if you give the requester your correct TIN, make the proper certifications, and report all your taxable interest and dividends on your tax return.

Payments you receive will be subject to backup withholding if:

1. You do not furnish your TIN to the requester,
2. You do not certify your TIN when required (see the Part II instructions on page 3 for details),
3. The IRS tells the requester that you furnished an incorrect TIN,
4. The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only), or
5. You do not certify to the requester that you are not subject to backup withholding under 4 above (for reportable interest and dividend accounts opened after 1983 only).

Certain payees and payments are exempt from backup withholding. See the instructions below and the separate Instructions for the Requester of Form W-9.

Also see *Special rules for partnerships* on page 1.

Updating Your Information

You must provide updated information to any person to whom you claimed to be an exempt payee if you are no longer an exempt payee and anticipate receiving reportable payments in the future from this person. For example, you may need to provide updated information if you are a C corporation that elects to be an S corporation, or if you no longer are tax exempt. In addition, you must furnish a new Form W-9 if the name or TIN changes for the account, for example, if the grantor of a grantor trust dies.

Penalties

Failure to furnish TIN. If you fail to furnish your correct TIN to a requester, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

Civil penalty for false information with respect to withholding. If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a \$500 penalty.

Criminal penalty for falsifying information. Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

Misuse of TINs. If the requester discloses or uses TINs in violation of federal law, the requester may be subject to civil and criminal penalties.

Specific Instructions

Name

If you are an individual, you must generally enter the name shown on your income tax return. However, if you have changed your last name, for instance, due to marriage without informing the Social Security Administration of the name change, enter your first name, the last name shown on your social security card, and your new last name.

If the account is in joint names, list first, and then circle, the name of the person or entity whose number you entered in Part I of the form.

Sole proprietor. Enter your individual name as shown on your income tax return on the “Name” line. You may enter your business, trade, or “doing business as (DBA)” name on the “Business name/disregarded entity name” line.

Partnership, C Corporation, or S Corporation. Enter the entity's name on the “Name” line and any business, trade, or “doing business as (DBA) name” on the “Business name/disregarded entity name” line.

Disregarded entity. Enter the owner's name on the “Name” line. The name of the entity entered on the “Name” line should never be a disregarded entity. The name on the “Name” line must be the name shown on the income tax return on which the income will be reported. For example, if a foreign LLC that is treated as a disregarded entity for U.S. federal tax purposes has a domestic owner, the domestic owner's name is required to be provided on the “Name” line. If the direct owner of the entity is also a disregarded entity, enter the first owner that is not disregarded for federal tax purposes. Enter the disregarded entity's name on the “Business name/disregarded entity name” line. If the owner of the disregarded entity is a foreign person, you must complete an appropriate Form W-8.

Note. Check the appropriate box for the federal tax classification of the person whose name is entered on the “Name” line (Individual/sole proprietor, Partnership, C Corporation, S Corporation, Trust/estate).

Limited Liability Company (LLC). If the person identified on the “Name” line is an LLC, check the “Limited liability company” box only and enter the appropriate code for the tax classification in the space provided. If you are an LLC that is treated as a partnership for federal tax purposes, enter “P” for partnership. If you are an LLC that has filed a Form 8832 or a Form 2553 to be taxed as a corporation, enter “C” for C corporation or “S” for S corporation. If you are an LLC that is disregarded as an entity separate from its owner under Regulation section 301.7701-3 (except for employment and excise tax), do not check the LLC box unless the owner of the LLC (required to be identified on the “Name” line) is another LLC that is not disregarded for federal tax purposes. If the LLC is disregarded as an entity separate from its owner, enter the appropriate tax classification of the owner identified on the “Name” line.

Other entities. Enter your business name as shown on required federal tax documents on the "Name" line. This name should match the name shown on the charter or other legal document creating the entity. You may enter any business, trade, or DBA name on the "Business name/disregarded entity name" line.

Exempt Payee

If you are exempt from backup withholding, enter your name as described above and check the appropriate box for your status, then check the "Exempt payee" box in the line following the "Business name/disregarded entity name," sign and date the form.

Generally, individuals (including sole proprietors) are not exempt from backup withholding. Corporations are exempt from backup withholding for certain payments, such as interest and dividends.

Note. If you are exempt from backup withholding, you should still complete this form to avoid possible erroneous backup withholding.

The following payees are exempt from backup withholding:

1. An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2),
 2. The United States or any of its agencies or instrumentalities,
 3. A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities,
 4. A foreign government or any of its political subdivisions, agencies, or instrumentalities, or
 5. An international organization or any of its agencies or instrumentalities.
- Other payees that may be exempt from backup withholding include:
6. A corporation,
 7. A foreign central bank of issue,
 8. A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States,
 9. A futures commission merchant registered with the Commodity Futures Trading Commission,
 10. A real estate investment trust,
 11. An entity registered at all times during the tax year under the Investment Company Act of 1940,
 12. A common trust fund operated by a bank under section 584(a),
 13. A financial institution,
 14. A middleman known in the investment community as a nominee or custodian, or
 15. A trust exempt from tax under section 664 or described in section 4947.

The following chart shows types of payments that may be exempt from backup withholding. The chart applies to the exempt payees listed above, 1 through 15.

| IF the payment is for . . . | THEN the payment is exempt for . . . |
|--|---|
| Interest and dividend payments | All exempt payees except for 9 |
| Broker transactions | Exempt payees 1 through 5 and 7 through 13. Also, C corporations. |
| Barter exchange transactions and patronage dividends | Exempt payees 1 through 5 |
| Payments over \$600 required to be reported and direct sales over \$5,000 ¹ | Generally, exempt payees 1 through 7 ² |

¹ See Form 1099-MISC, Miscellaneous Income, and its instructions.

² However, the following payments made to a corporation and reportable on Form 1099-MISC are not exempt from backup withholding: medical and health care payments, attorneys' fees, gross proceeds paid to an attorney, and payments for services paid by a federal executive agency.

Part I. Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. If you are a resident alien and you do not have and are not eligible to get an SSN, your TIN is your IRS individual taxpayer identification number (ITIN). Enter it in the social security number box. If you do not have an ITIN, see *How to get a TIN* below.

If you are a sole proprietor and you have an EIN, you may enter either your SSN or EIN. However, the IRS prefers that you use your SSN.

If you are a single-member LLC that is disregarded as an entity separate from its owner (see *Limited Liability Company (LLC)* on page 2), enter the owner's SSN (or EIN, if the owner has one). Do not enter the disregarded entity's EIN. If the LLC is classified as a corporation or partnership, enter the entity's EIN.

Note. See the chart on page 4 for further clarification of name and TIN combinations.

How to get a TIN. If you do not have a TIN, apply for one immediately. To apply for an SSN, get Form SS-5, Application for a Social Security Card, from your local Social Security Administration office or get this form online at www.ssa.gov. You may also get this form by calling 1-800-772-1213. Use Form W-7, Application for IRS Individual Taxpayer Identification Number, to apply for an ITIN, or Form SS-4, Application for Employer Identification Number, to apply for an EIN. You can apply for an EIN online by accessing the IRS website at www.irs.gov/businesses and clicking on Employer Identification Number (EIN) under Starting a Business. You can get Forms W-7 and SS-4 from the IRS by visiting IRS.gov or by calling 1-800-TAX-FORM (1-800-829-3676).

If you are asked to complete Form W-9 but do not have a TIN, write "Applied For" in the space for the TIN, sign and date the form, and give it to the requester. For interest and dividend payments, and certain payments made with respect to readily tradable instruments, generally you will have 60 days to get a TIN and give it to the requester before you are subject to backup withholding on payments. The 60-day rule does not apply to other types of payments. You will be subject to backup withholding on all such payments until you provide your TIN to the requester.

Note. Entering "Applied For" means that you have already applied for a TIN or that you intend to apply for one soon.

Caution: A disregarded domestic entity that has a foreign owner must use the appropriate Form W-8.

Part II. Certification

To establish to the withholding agent that you are a U.S. person, or resident alien, sign Form W-9. You may be requested to sign by the withholding agent even if item 1, below, and items 4 and 5 on page 4 indicate otherwise.

For a joint account, only the person whose TIN is shown in Part I should sign (when required). In the case of a disregarded entity, the person identified on the "Name" line must sign. Exempt payees, see *Exempt Payee* on page 3.

Signature requirements. Complete the certification as indicated in items 1 through 3, below, and items 4 and 5 on page 4.

1. Interest, dividend, and barter exchange accounts opened before 1984 and broker accounts considered active during 1983. You must give your correct TIN, but you do not have to sign the certification.

2. Interest, dividend, broker, and barter exchange accounts opened after 1983 and broker accounts considered inactive during 1983. You must sign the certification or backup withholding will apply. If you are subject to backup withholding and you are merely providing your correct TIN to the requester, you must cross out item 2 in the certification before signing the form.

3. Real estate transactions. You must sign the certification. You may cross out item 2 of the certification.

4. Other payments. You must give your correct TIN, but you do not have to sign the certification unless you have been notified that you have previously given an incorrect TIN. "Other payments" include payments made in the course of the requester's trade or business for rents, royalties, goods (other than bills for merchandise), medical and health care services (including payments to corporations), payments to a nonemployee for services, payments to certain fishing boat crew members and fishermen, and gross proceeds paid to attorneys (including payments to corporations).

5. Mortgage interest paid by you, acquisition or abandonment of secured property, cancellation of debt, qualified tuition program payments (under section 529), IRA, Coverdell ESA, Archer MSA or HSA contributions or distributions, and pension distributions. You must give your correct TIN, but you do not have to sign the certification.

What Name and Number To Give the Requester

| For this type of account: | Give name and SSN of: |
|---|---|
| 1. Individual | The individual |
| 2. Two or more individuals (joint account) | The actual owner of the account or, if combined funds, the first individual on the account ¹ |
| 3. Custodian account of a minor (Uniform Gift to Minors Act) | The minor ² |
| 4. a. The usual revocable savings trust (grantor is also trustee) b. So-called trust account that is not a legal or valid trust under state law | The grantor-trustee ¹ The actual owner ¹ |
| 5. Sole proprietorship or disregarded entity owned by an individual | The owner ³ |
| 6. Grantor trust filing under Optional Form 1099 Filing Method 1 (see Regulation section 1.671-4(b)(2)(i)(A)) | The grantor* |
| For this type of account: | Give name and EIN of: |
| 7. Disregarded entity not owned by an individual | The owner |
| 8. A valid trust, estate, or pension trust | Legal entity ⁴ |
| 9. Corporation or LLC electing corporate status on Form 8832 or Form 2553 | The corporation |
| 10. Association, club, religious, charitable, educational, or other tax-exempt organization | The organization |
| 11. Partnership or multi-member LLC | The partnership |
| 12. A broker or registered nominee | The broker or nominee |
| 13. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments | The public entity |
| 14. Grantor trust filing under the Form 1041 Filing Method or the Optional Form 1099 Filing Method 2 (see Regulation section 1.671-4(b)(2)(i)(B)) | The trust |

¹ List first and circle the name of the person whose number you furnish. If only one person on a joint account has an SSN, that person's number must be furnished.

² Circle the minor's name and furnish the minor's SSN.

³ You must show your individual name and you may also enter your business or "DBA" name on the "Business name/disregarded entity" name line. You may use either your SSN or EIN (if you have one), but the IRS encourages you to use your SSN.

⁴ List first and circle the name of the trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title.) Also see *Special rules for partnerships* on page 1.

*Note. Grantor also must provide a Form W-9 to trustee of trust.

Note. If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.

Secure Your Tax Records from Identity Theft

Identity theft occurs when someone uses your personal information such as your name, social security number (SSN), or other identifying information, without your permission, to commit fraud or other crimes. An identity thief may use your SSN to get a job or may file a tax return using your SSN to receive a refund.

To reduce your risk:

- Protect your SSN,
- Ensure your employer is protecting your SSN, and
- Be careful when choosing a tax preparer.

If your tax records are affected by identity theft and you receive a notice from the IRS, respond right away to the name and phone number printed on the IRS notice or letter.

If your tax records are not currently affected by identity theft but you think you are at risk due to a lost or stolen purse or wallet, questionable credit card activity or credit report, contact the IRS Identity Theft Hotline at 1-800-908-4490 or submit Form 14039.

For more information, see Publication 4535, Identity Theft Prevention and Victim Assistance.

Victims of identity theft who are experiencing economic harm or a system problem, or are seeking help in resolving tax problems that have not been resolved through normal channels, may be eligible for Taxpayer Advocate Service (TAS) assistance. You can reach TAS by calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059.

Protect yourself from suspicious emails or phishing schemes.

Phishing is the creation and use of email and websites designed to mimic legitimate business emails and websites. The most common act is sending an email to a user falsely claiming to be an established legitimate enterprise in an attempt to scam the user into surrendering private information that will be used for identity theft.

The IRS does not initiate contacts with taxpayers via emails. Also, the IRS does not request personal detailed information through email or ask taxpayers for the PIN numbers, passwords, or similar secret access information for their credit card, bank, or other financial accounts.

If you receive an unsolicited email claiming to be from the IRS, forward this message to phishing@irs.gov. You may also report misuse of the IRS name, logo, or other IRS property to the Treasury Inspector General for Tax Administration at 1-800-366-4484. You can forward suspicious emails to the Federal Trade Commission at: spam@uce.gov or contact them at www.ftc.gov/idtheft or 1-877-IDTHEFT (1-877-438-4338).

Visit IRS.gov to learn more about identity theft and how to reduce your risk.

Privacy Act Notice

Section 6109 of the Internal Revenue Code requires you to provide your correct TIN to persons (including federal agencies) who are required to file information returns with the IRS to report interest, dividends, or certain other income paid to you; mortgage interest you paid; the acquisition or abandonment of secured property; the cancellation of debt; or contributions you made to an IRA, Archer MSA, or HSA. The person collecting this form uses the information on the form to file information returns with the IRS, reporting the above information. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation and to cities, states, the District of Columbia, and U.S. possessions for use in administering their laws. The information also may be disclosed to other countries under a treaty, to federal and state agencies to enforce civil and criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. You must provide your TIN whether or not you are required to file a tax return. Under section 3406, payers must generally withhold a percentage of taxable interest, dividend, and certain other payments to a payee who does not give a TIN to the payer. Certain penalties may also apply for providing false or fraudulent information.



Rocky Mountain Mortgage Specialists, Inc.
Wholesale Lending Division

RESOLUTION OF THE BOARD OF DIRECTORS AND
CERTIFICATE OF AUTHORIZED SIGNATURES

The undersigned, _____, Secretary of _____,
a _____ corporation, (Hereinafter called the “Corporation”) does hereby certify:

- 1. That the Board of Directors of the Corporation hereby authorizes that the Corporation apply for approval as a seller with Rocky Mountain Mortgage Specialists, Inc.
- 2. That he/she is duly elected, qualified and acting as Secretary of the Corporation and has custody of the corporate records, minutes and corporate seal.
- 3. That a meeting of the Board of Directors of the Corporation, duly called, convened and held on _____, at which meeting a quorum was present and voted throughout, the following resolutions were duly adopted by said Board and said resolutions have not been amended, altered or repealed and remain in full force and effect on the date hereof:

RESOLVED, that any one of the following officers:

| <u>NAME</u> | <u>SIGNATURE</u> | <u>TITLE</u> |
|-------------|------------------|--------------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

of this Corporation, or any one or more of them, she/he and each of them is hereby authorized and empowered in the name of and on behalf of this Corporation under its corporate seal to execute all documents, agreements, contracts, assignments, and warranties to facilitate the establishment of the aforementioned programs; and is authorized to encumber the Corporation under optional best effort commitments necessary for the continuing operation of the above mentioned program.

RESOLVED, that any acts or instruments of the kind mentioned in any of the above preceding paragraphs heretofore done or executed by any one of the above mentioned officers on behalf of this Corporation are hereby adopted, ratified and confirmed.

In witness whereof, the undersigned has caused this certificate to be executed and the seal of the Corporation to be hereunto affixed this _____ day of _____. _____.

Company

_____, Secretary



Rocky Mountain Mortgage Specialists, Inc.
Wholesale Lending Division

MORTGAGE BROKER APPLICATION

| | | | |
|---------------------------------------|---------------|-------------------------|-----------|
| APPLYING FOR BROKER STATUS TO SUBMIT: | | | |
| ____ FHA LOANS | ____ VA LOANS | ____ CONVENTIONAL LOANS | ____ USDA |

| | |
|--|---|
| COMPANY INFORMATION: | |
| COMPANY NAME: _____ | |
| DATE COMPANY ESTABLISHED: _____ | |
| STREET ADDRESS: _____ | |
| CITY / STATE / ZIP: _____ | |
| OFFICE PHONE: _____ | OFFICE FAX: _____ |
| E-MAIL ADDRESS: _____ | |
| PRIMARY CONTACT: _____ | |
| LEGAL OWNERSHIP: ____ CORPORATION ____ SOLE PROPRIETOR ____ PARTNERSHIP ____ LLC | |
| IF CORPORATION: | DATE OF INCORPORATION: _____ STATE: _____ |
| FEDERAL TAX I.D. : _____) | IF SOLE PROPRIETOR, SS#: _____ |

| | |
|---|--|
| PRINCIPALS / OFFICERS (List all Principals/Officers and/or Partners) | |
| • | NAME: _____ TITLE: _____ SS# _____ PERCENTAGE OF OWNERSHIP: _____ RESIDENCE ADDRESS: _____ CITY/STATE/ZIP: _____ |
| • | NAME: _____ TITLE: _____ SS# _____ PERCENTAGE OF OWNERSHIP: _____ RESIDENCE ADDRESS: _____ CITY/STATE/ZIP: _____ |
| • | NAME: _____ TITLE: _____ SS# _____ PERCENTAGE OF OWNERSHIP: _____ RESIDENCE ADDRESS: _____ CITY/STATE/ZIP: _____ |

| | |
|--|---|
| GENERAL INFORMATION | NUMBER OF LOAN OFFICERS ON STAFF: _____ |
| NUMBER OF LENDERS USED FOR THE MAJORITY OF YOUR BUSINESS: _____ | |
| MONTHLY AVERAGE DOLLAR VOLUME IN BROKERED RESIDENTIAL LOANS: _____ | |
| IF HUD APPROVED, PLEASE INDICATE MORTGAGEE NUMBER: | |
| ID NUMBER _____ | |
| HUD OFFICES YOUR COMPANY IS APPROVED WITH: | |
| _____ | _____ |



Rocky Mountain Mortgage Specialists, Inc.
Wholesale Lending Division

BROKER APPLICATION

LENDER REFERENCES *(Investors with whom you are currently doing business)*

•

CO. NAME: _____ CONTACT: _____

ADDRESS: _____ PHONE: _____

CITY / STATE / ZIP: _____

•

CO. NAME: _____ CONTACT: _____

ADDRESS: _____ PHONE: _____

CITY/ STATE / ZIP: _____

•

CO. NAME: _____ CONTACT: _____

ADDRESS: _____ PHONE: _____

CITY / STATE / ZIP: _____

DISCLOSURE / DUE DILIGENCE

PLEASE CHECK THE APPROPRIATE LINE BELOW IF YOU HAVE BEEN SUBJECT TO ANY OF THE FOLLOWING:

___ YES ___ NO

1. Has your Company ever been suspended from selling or servicing mortgages by an investor? If yes, please provide explanation.

___ YES ___ NO

2. Has your Company, and/or any principals or corporate officers, been named as a defendant in a lawsuit for alleged fraud or misrepresentation in connection with any real estate related activity? If yes, please provide explanation.

___ YES ___ NO

3. Has your Company, and/or any principals or corporate officers, filed for protection from creditors under any provision of the bankruptcy laws within the past seven years? If yes, please provide explanation.

___ YES ___ NO

4. Has your Company, and/or any principals or corporate officers, ever had a real estate or other professional license suspended, revoked or received any other disciplinary action from a regulatory agency? If yes, please provide explanation.

___ YES ___ NO

5. Has any lender enforced, or attempted to enforce, the Hold Harmless or Repurchase clauses of their correspondent or broker agreement with your company and/or any principals or corporate officers? If yes, please provide explanation.

___ YES ___ NO

6. Has any officer or employee of your company ever been listed on any agency exclusionary list?

CERTIFICATION /AUTHORIZATION

I HEREBY AUTHORIZE ROCKY MOUNTAIN MORTGAGE SPECIALISTS, INC. TO REVIEW REFERENCES, PULL BUSINESS OR PERSONAL CREDIT, OR ANY ITEMS CONTAINED IN THIS APPLICATION AND ITS ATTACHMENTS , OR OTHER ITEMS DEEMED NECESSARY TO APPROVE THIS APPLICATION. I FURTHERMORE CERTIFY THAT THE INFORMATION PROVIDED IN THIS APPLICATION, INCLUDING ATTACHMENTS, IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.

Signature: _____

Name: _____

Title: _____

Date: _____

Signature: _____

Name: _____

Title: _____

Date: _____



ROCKY MOUNTAIN MORTGAGE SPECIALISTS, INC.

7075 South Alton Way
Centennial, Colorado 80112

Office: (303) 773-6106
Fax: (303) 770-5975

BROKER: _____
(hereinafter "the company")

The undersigned hereby agrees and certifies that he/she will immediately notify Rocky Mountain Mortgage Specialists, Inc. if he/she or the company or any of its employees:

- 1). Fail to obtain any license or complete any licensing requirements when due,
- 2). Fail or elect not to renew any license when due,
- 3). Have any license or privileges there under suspended or revoked,
- 4). Have any other change in licensing status not specifically covered above.

With each loan file submission, the company and its employee represent and warrant that both the company and the individual originating the loan are duly licensed if so required within the jurisdiction of the subject property or residence of the borrower(s) as appropriate.

The undersigned further agrees that he/she personally and the company, jointly and severally, shall be liable for any costs of defense, penalties, punitive damages or any other loss incurred by Rocky Mountain Mortgage Specialists, Inc. in connection with the acceptance of any loan file from the company or any of its employees for which the company or originator of the loan is not properly licensed where such license in good standing is required.

BROKER

By: _____
Name Title Date

By: _____
Individually Date

ADDENDUM TO:

ROCKY MOUNTAIN MORTGAGE SPECIALISTS, INC. BROKER AGREEMENT

RE: COMPENSATION PLAN

This addendum to the Mortgage Broker Agreement is dated the 6th day of April, 2011 and entered into by and between ROCKY MOUNTAIN MORTGAGE SPECIALISTS, INC. (RMMSI) and

_____, Broker.

Whereas the parties have previously entered into a Broker Agreement, and,

Whereas the parties desire to supplement that agreement and to set forth the terms of a Loan Compensation Plan,

NOW THEREFORE, THE PARTIES AGREE AS FOLLOWS:

Section 1. Compensation Plan

As to each loan submitted by Broker, Broker shall select as an exclusive method of compensation either option A or option B as set forth below.

A. Consumer Paid Option

- a. Broker will negotiate compensation directly with the consumer.
- b. The consumer must pay compensation to the broker client from their own funds at closing, or from the principal proceeds of the new loan.
- c. Premium pricing may not be used to compensate the Broker.
- d. The consumer may pay third party costs and RMMSI fees by paying cash at closing, or financing through the principal or interest rate.
- e. No other person may provide compensation to a Loan Originator, directly or indirectly, in connection with the loan transaction.
- f. Compensation to the Broker can vary from transaction to transaction.
- g. Compensation from the Broker to its loan Originators may be comprised only of salary or hourly wage.
- h. Compensation cannot exceed the lesser of 4% or state high cost limits.

B. Creditor (RMMSI) Paid Option

a. Broker elects to receive _____% (1%-3%) of the principal amount of such mortgage loan as its sole and complete compensation.

Minimum Compensation of: \$_____, Maximum Compensation of \$_____

- b. The compensation shall be consistent on all loans funded for Broker by RMMSI, except that RMMSI may, but is not required to, periodically revise the Broker compensation.
- c. RMMSI will pay compensation directly to the Broker.
- d. The consumer cannot pay compensation to the Broker.

- e. The Broker cannot reduce the creditor paid compensation by offering concessions or paying for tolerance violations.
- f. The Broker will establish compensation agreements with its loan originator employees that will comply with the Federal loan originator compensation rule in §226.36(d) and (e) of Regulation Z (12 CFR Part 226).
- g. Compensation can be changed if a change form is received and approved by RMMSI no less than 10 days prior to the month of change.
- h. Locks and GFE/Initial Fees Worksheet must be accurate.

Section 2. Broker Warranties of this Addendum are as follows:

A. Loan Originator Compliance

Broker has developed and implemented compensation plans for its loan originators which:

- a. prohibit payments to its loan originators that are based on the loan's interest rate or other loan terms or conditions,
- b. prohibit Broker or its loan originators from receiving payments directly from a consumer while also receiving compensation from the creditor or another person, and,
- c. prohibit Broker or its loan originators from "steering" a consumer to a creditor in order to increase the Broker's or loan originator's compensation.

Broker shall ensure that its policies and procedures regarding Loan Origination Compensation comply with all federal, state and regulatory requirements, including the rules set forth in TILA, Regulation Z and the Official Staff Commentary. Broker shall provide RMMSI a copy of such policies and procedures upon request. Broker shall take all appropriate steps to ensure that loan originators originate loans in compliance with the statute, regulations and commentary, including training, automated systems controls and compliance testing.

Broker must provide the consumer with loan options from a significant number of the creditors with which the Broker regularly does business. For each type of transaction (i.e. fixed rate, ARM), in which the consumer expressed an interest, the loan options presented must include:

- a. The loan with the lowest interest rate
- b. The loan with the lowest total dollar amount for origination points or fees and discount points
- c. The loan with the lowest interest rate without certain features, including:
 - i. A prepayment penalty
 - ii. Interest-only payments
 - iii. Negative amortization
 - iv. Demand feature
- v. A balloon payment in first seven years

Loan originators must have a good faith belief that the options presented are loans for which the consumer likely qualifies.

Section 3. Indemnification

In addition to Broker's repurchase obligations set forth in the Agreement, to the fullest extent allowed by law, Broker indemnifies and holds harmless RMMSI, its shareholders, directors, officers, agents, employees, loan investors, successors and assigns against any loss, damage, claim, expense, liability or cost (including reasonable attorney's fees) arising from any act or omission by Broker in connection with its obligations under this Addendum and/or any breach by Broker of its representations, warranties, covenants, and agreements contained in the Agreement and/or this Addendum.

Section 4. Intent

It is the intention of Broker and RMMSI to comply with the Federal loan originator compensation regulations applicable to this Addendum contained in Regulation Z, 12 CFR §226.36, (herein "Compensation Law"); accordingly, it is agreed that notwithstanding any provision to the contrary in this Addendum or in any other document(s) executed in connection herewith, no such provision shall require or permit the payment or the receipt of loan originator compensation not permitted by the Compensation Law. If, from any circumstance whatsoever, compensation in excess of, or not permitted by, the Compensation Law is provided for, contracted for, paid or received or adjudicated to be provided for, contracted for, paid or received, then the provisions of this paragraph shall govern and control and neither party hereto nor any other party shall be obligated to pay the amount of such compensation not permitted by the Compensation Law, and the compensation payable to Broker or any other loan originator shall be reduced to the amount and sources permitted by the Compensation Law. The receiving loan originator shall refund any such impermissible compensation to the payor thereof immediately upon notification from Broker or RMMSI, as applicable. It is further agreed that without limitation of the foregoing, all calculations of the compensation provided for, contracted for, paid or received under this Addendum shall be made in accordance with the Compensation Law, as now or hereafter construed or amended.

IN WITNESS WHEREOF, the parties have executed this Agreement on this ____ day of ____, 20____.

BROKER COMPANY

LENDER

Rocky Mountain Mortgage Specialists, Inc.

Authorized Signature:

Authorized Signature:

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Loan Originator Compensation Guide

Overview

The Federal Reserve Board is implementing new rules on 4/6/2011 under Regulation Z of the Truth in Lending Act which governs compensation paid to loan originators (which include mortgage brokers, mortgage brokerage companies and their loan officers). The Final Rule applies to all closed-end consumer credit transactions, regardless of lien position, secured by a dwelling where Rocky Mountain Mortgage Specialists receives a loan application on or after 4/6/2011.

Important Dates

April 6th: Signed and dated 1003's by the LO and Borrower on or after April 6th are subject to the new FRB Compensation Rules.

April 6 - 30th: Loan applications taken prior to April 6th will not be subject to new FRB Compensation Rules provided the 1003 is signed by both the LO and the Borrower, the file credit report is pulled and the property is identified (executed contract for a purchase) prior to April 6, 2011

Brief Summary - The Final Rule Prohibits

Basing loan originator compensation on the loan terms, loan product, interest rate or any term or condition of a particular loan is prohibited.

Compensation based on a fixed percentage of the amount of credit extended is permitted.

Dual compensation is prohibited. A Loan Originator can be paid by the Lender or the Borrower but not both.

Loan originators who steer a Borrower to a loan program or Creditor based solely on the amount of compensation that the broker receives is prohibited, unless the transaction is in the consumer's interest. Loan originators will be required to present loan options so as to avoid "Steering" a Consumer. The Final Rule provides a 'Safe Harbor" to demonstrate compliance with the rule's anti-steering provisions.

Loan Originator Compensation – 2 types

- The Final Rule permits a broker to receive compensation via 2 distinct sources.
 1. Lender Paid Compensation or
 2. Consumer Paid Compensation
- The choice of compensation source will still be within the control of the Loan Originator and it can be determined on a transaction-by-transaction basis. For example you may use Consumer paid compensation on one transaction while the next transaction may use Lender paid compensation (A broker may receive compensation from either the lender or the consumer, but never both.)

- Broker Clients must establish their own internal loan originator compensation agreements in compliance with the Final Rule.
- Broker Clients will be required to submit their Loan Officer Compensation Policy to Rocky Mountain Mortgage Specialists, Inc. upon request.
- Broker Clients will be required to sign a Loan Origination Agreement Amendment that addresses additional Broker Client Representations and Warranties related to compliance with the Final Rule.
- Broker Clients will be required to choose their Compensation Plan.

Lender Paid Compensation

- Brokers may be paid by the lender. If a broker elects to be paid by the lender in a transaction, the broker may not receive any compensation from the borrower.
- The percentage of compensation a Broker chooses to receive will be selected by the Broker Client in advance and may not vary based on loan terms, product, interest rate or conditions.
- Lender paid compensation is paid as a percentage of the principal loan amount.
- Rocky Mountain Mortgage Specialists, Inc. follows all Fair Lending and Responsible Lending requirements and State and Federal High Cost Laws regarding maximum compensation levels.
- Compensation Percentage Term options available to Broker Clients are as follows:
 - 50 – 300 bps
 - The Percentage should include all overhead and processing fees. An additional processing fee will only be allowed if invoiced by a non-affiliated, NMLS licenced processor with a company registered with the state. This option is not available when a maximum or minimum compensation cap is paid.
- Compensation Percentage Term options can also include the use of a minimum or maximum dollar compensation cap. This allows Broker Clients to ensure that they are competitive and profitable on every loan transaction. As an example a Broker Client may need to charge 1.50% on the average loan amounts they process to cover all fixed and variable overhead expenses and make a reasonable profit. However, Broker Clients, from time to time, process larger loans that are more competitively priced by competitors, so they can “cap” their origination, which effectively allows them to reduce their total compensation paid from the Creditor.
- Example: A Broker Client who traditionally earns 2.00% per loan (inclusive of the Broker Client processing fee) with a minimum dollar compensation set at \$2,500 and a maximum dollar compensation set at \$9,000 will earn as follows.
 - \$2,500 on a \$100,000 Loan Amount
 - \$4,000 on a \$200,000 Loan Amount
 - \$6,000 on a \$300,000 Loan Amount
 - \$9,000 on a \$500,000 Loan Amount
- Compensation is based on the established upfront terms negotiated between the Broker Client and Rocky Mountain Mortgage Specialists, Inc. The level of compensation selected by the Broker Client will remain constant for a defined period of time.

- ☐ Rocky Mountain Mortgage Specialists, Inc. will allow Broker Clients to negotiate their Compensation Terms on a Monthly Basis subject to review and approval. Compensation Term changes need to be requested 15 days prior to month end to be effective the following month. All compensation plans will have an effective date on the first of each month. Broker Clients closing little volume may not be allowed to change this often if there is any indication or possibility that the change is made to change the income outcome in violation of the rule or the spirit of the rule.
- The Lender Paid Compensation Percentage in effect at the time Rocky Mountain Mortgage Specialists, Inc. receives your Loan Submission will be the compensation terms used. A compensation plan change does not constitute a “changed circumstance” per RESPA.
- ☐ The Lender-paid Compensation Percentage the Broker Client selects will apply to all branches and all states in which the Broker Client does business.
- ☐ The Compensation Plan selected by a Broker Client will apply to all loans, and may not vary on a loan officer by loan officer basis.
- ☐ Rocky Mountain Mortgage Specialists, Inc. will pay compensation directly to our Broker Client through closing.
- ☐ If Rocky Mountain Mortgage Specialists, Inc. is paying the Broker Client, the Consumer cannot pay any compensation to the Broker Client or any Loan Originator.
- ☐ The Consumer can pay Rocky Mountain Mortgage Specialists, Inc. Discount Points to reduce the interest Rate.
- ☐ The Consumer can use interest rate credits (borrower credits) to pay for 3rd Party fees and/or eligible pre-paid items. Eligible prepaid items include interest, taxes, insurance and mortgage insurance.
- ☐ The Consumer can pay Bona fide 3rd Party costs, prepaids and Rocky Mountain Mortgage Specialists, Inc. fees by paying cash at closing, or by financing them through the loan principal or interest rate.
- ☐ The Broker Client or Loan Originator cannot adjust any Broker Compensation during the process and will always be paid the negotiated amount on each loan closed, never less or more.
- ☐ The Broker Client or Loan Originator may not reduce their compensation to pay for GFE tolerance violations or reduce their compensation when a loan violates a high cost compliance test. In some cases, should the aforementioned occur, Rocky Mountain Mortgage Specialists, Inc. may not be able to consummate the loan transaction. Diligent care should be taken by the Broker Client to avoid all GFE fee tolerance violations and high cost loan violations. No exceptions. All Loan approvals will be subject to an accurate GFE and an accurate lock.
- ☐ The Broker Client or Loan Originator will not be able to pay fees for the Consumer under the Lender Paid option including lock extension fees. Please plan your lock periods carefully. It is recommended that Loan Originators use long term locks with excess time and take into account the possibilities of potential delays in the processing of the loan transaction. The expiration of the GFE should coincide with lock expiration and an extension fee can be added to the costs as a changed circumstance and a new GFE disclosed.
- ☐ Seller(s) concessions cannot be used to cover Broker Client Compensation.
- ☐ Our Rate Sheet and Pricing will look very similar to the way it does today including a full range of interest rate credits and discounted pricing options. Rate Sheets pricing will NOT include the elected broker compensation so the elected amount

(Percentage including minimums or maximums) MUST be deducted from the pricing.

Consumer Paid Compensation

- A Broker Client may also be paid by the borrower only.
- ☐ The Broker Client or Loan Originator negotiates with the consumer directly regarding compensation that the Borrower will pay directly to the Broker through closing. Broker Client will disclose the compensation upfront to the borrower. Broker Client to provide client form evidencing the disclosure and negotiated amount signed by both the borrower and the originator. Under this Borrower-Paid Option, the Broker may not receive any compensation from the Lender or any third party.
- ☐ The amount of Broker Client compensation can vary from one loan transaction to another. However, compensation from the Broker Client to its Loan Originator for any particular transaction may be comprised of only salary or hourly wage.

Other aggregate bonus related compensation from the Broker Client to its Loan Originator cannot be based on loan terms or conditions or profitability of the loan or of the Broker Client. This Federal Reserve Board declaration may negate the availability of the borrower paid option for many Broker Clients – we do not recommend this option except for Broker/Owner/Originator.

- ☐ Compensation cannot be paid through the interest rate or other prohibited terms, however it can be financed in the loan or paid in cash at closing by the consumer.
- ☐ Interest rate credits cannot be used to compensate the Broker Client or Loan Originator.
- ☐ The Consumer may pay discount points to the creditor to reduce the interest rate.
- ☐ The Consumer may pay bona fide 3rd party costs, eligible pre-paid items and Lender fees by paying cash at closing, or by financing them through the loan principal or interest credits. The Broker may not pay these fees or costs on the Borrower's behalf.
- ☐ The Consumer can use interest rate credits to pay for 3rd Party fees and eligible pre-paid items, but not to pay the Broker Client or Loan Originator compensation. In the event the credit available for 3rd Party closing costs and eligible pre-paid items exceeds the actual closing costs, the excess amount cannot be paid in cash to the consumer because it would be deemed Lender-paid compensation which would be in violation of the Loan Originator Compensation rules. Any excess in interest rate credits cannot exceed the amount of 3rd Party fees.
- ☐ The Broker Client may not reduce its origination fee to offset RESPA tolerance violations or as an offset for other 3rd Party concessions.
- ☐ No other party may provide any compensation to the Broker Client or Loan Originator, directly or indirectly, in connection with the loan transaction. Only the Consumer can compensate the Broker Client.
- ☐ Seller Paid compensation (for example, seller concessions to a buyer in a purchase transaction) is considered Consumer paid compensation, not Lender paid.
- ☐ Consumer Paid compensation will “NOT” have a set minimum dollar-level. The maximum level of compensation is up to the Max Wholesale limit of 4%.
- ☐ Rocky Mountain Mortgage Specialists, Inc. follows all Fair Lending and Responsible Lending requirements and State and Federal High Cost Laws regarding maximum compensation levels.

Anti-Steering

The Regulation prohibits “steering” a Consumer to a loan based upon the fact that the Loan Originator will receive greater compensation from the Creditor in that transaction. Loan Originators must present loan options to the Consumer to avoid steering. The following is an overview of the anti-steering rules:

- The Consumer must be presented with a minimum of at least three loan options, for which they are eligible or expressed an interest in, to avoid “steering” them into a specific term or product.

For each type of transaction (i.e. fixed rate, Conventional, FHA, ARM, etc) in which the Consumer expressed an interest in the loan options presented must include....

1. The loan option with the lowest interest rate for which the consumer qualifies.
2. The loan option with the lowest total dollar amount of points and origination fees and discount points.
3. The lowest rate for which the Consumer qualifies for a loan without risky features (i.e. negative amortization, a prepayment penalty, interest-only payments, a balloon payment in the first 7 years, a demand feature, shared equity or shared appreciation).
4. Example 1 – if the Consumer wants to compare a conventional fixed rate loan with an FHA loan and an ARM loan, you will need to provide that Consumer with 9 different examples – 3 for each program.

- The options provided must be from Creditors with whom the loan originator is actively doing business.

- Loan Originators must obtain options from at least three Creditors, unless the Loan Originator regularly does business with fewer than three Creditors.

1. Example 2 – If you regularly do business with 3 different Creditors and Creditor 1 has the lowest interest rate and Creditor 2 has the lowest total discount points and fees, then you would include quotes from both in your anti-steering disclosure.

- Loan Originators are not required to present options from multiple Creditors if the borrower only qualifies for a loan from one Creditor.

Rocky Mountain Mortgage Specialists, Inc. will require an anti-steering disclosure on all loans with the required loan option(s) information signed and dated by the Loan Originator and Consumer for all Lender Paid transactions.

You can find the Federal Register Notice from September 24, 2010 at <http://edocket.access.gpo.gov/2010/pdf/2010-22161.pdf>

You can find the Federal Register Compliance Guide for Small entities – Regulation Z – Loan Origination Compensation and Steering at <http://www.federalreserve.gov/bankinfo/regzcg.htm>

You also can find the FRB summary, “Highlights of Final Rules on Loan Originator Compensation and Steering at <http://www.federalreserve.gov/newsevents/press/bcreg/bcreg20100816d2.pdf>

Questions and Answers from the Federal Reserve Staff - Campus MBA webinar January 20, 2011 at http://www.firstcal.net/pdf/QA_for_the_Fed_from_MBA_Webinar.pdf

March 18th, 2011 – link to the HUD March 18th webinar - RESPA implementation presentation at <http://www.hud.gov/offices/hsg/rmra/res/respahm.cfm>

March 18, 2011 - Compliance Guidance for RESPA as it Applies to the Federal Reserve Board's MLO Compensation Rules at <http://www.hud.gov/offices/hsg/rmra/res/mlocomplprodup31811v3.pdf>