

## MORTGAGE BROKER FEE AGREEMENT AND DISCLOSURE

Dear Borrower:

You are requesting that your mortgage broker invest time in researching, processing, and providing assistance to you in the home loan process. Your mortgage broker will be paid for the time and effort spent on your behalf, and you are agreeing to pay your mortgage broker as described below.

Your mortgage broker will be providing you with a Good Faith Estimate (GFE). The first line item on the second page of the Good Faith Estimate is labeled "Our origination charge". This line includes fees that are charged by your mortgage broker, the lender and, in some cases, other third parties.

The purpose of this disclosure is to document the portion of the "Our origination charge" from the GFE that will be paid to your mortgage broker, to discuss how your selection of an interest rate that impacts the way you pay your mortgage broker, and to review other items such as financing your mortgage broker's fees and locking your interest rate.

On the next page of this document, your mortgage broker will disclose their fee and outline how this fee is being paid. Generally, there are three ways that your mortgage broker can be paid. Not all of these payment methods are available on every loan and only you can decide which available option(s) makes the most sense for you.

- You may choose to pay your mortgage broker an agreed to amount that will not result in an increase in your interest rate if those fees are paid at or before closing with your own funds.
- You may choose to pay your mortgage broker an agreed to amount over the term of your loan by adding those fees to your loan amount. If you choose this option, you will owe more money to the lender and you will pay interest on those mortgage broker fees.
- You may pay your mortgage broker by choosing to pay the lender a higher interest rate. In return for the higher interest rate, the lender will give you a credit that reduces your settlement charges (which include mortgage broker fees). (This credit is sometimes called "Yield Spread Premium" or "YSP")

In summary, you may pay your mortgage broker fees up front. Or, if you prefer to minimize your upfront fees, you may either (1) pay the mortgage broker fees over time by adding them to your loan amount or, (2) pay a higher interest rate in return for the lender giving you a credit that reduces your settlement charges. Be sure to take into account any compensation that the mortgage broker may also be receiving from the lender.

Interest rates move constantly. The way to set a certain interest rate and, if desired and available, lender credit, is for your mortgage broker to "lock" your loan (if your lender allows you the option to lock your loan). Once you lock your loan, you are agreeing to close your loan within a certain period of time and at a certain interest rate. If you instruct your mortgage broker to lock your loan, your mortgage broker can explain to you the interest rate you will pay. If you choose to pay your mortgage broker fees through a higher interest rate and your loan has been locked, your mortgage broker will tell you the amount of the credit from the lender that will reduce your settlement charges. The amount of the credit may vary depending on the loan product and terms, as well as the lender with whom your mortgage broker places your loan. Be sure that you understand and are satisfied with the product and terms that have been offered to you.

This document discloses only the fees charged by your mortgage broker. Other companies may also charge for services related to your loan that are to be paid by you, your mortgage broker, or another party. You should receive a separate Good Faith Estimate that discloses those costs. Please be sure that you have received the Good Faith Estimate, and that you understand and are comfortable with the fees disclosed on it. If you pay fees before the loan closes, ask your mortgage broker whether those fees are partially or fully refundable and under what circumstances.

If the circumstances of your loan change, the costs you will pay for services provided by your mortgage broker and other parties, and how you will pay those costs, may also change.

