



Loan Originator (LO) Compensation

V. Effective Compliance Management for Loan Originator Compensation; Rule Resources and Concluding Remarks

Board and Management Oversight

Senior management and the board of directors are generally responsible for setting the compensation structure for the bank's loan originator staff; as such, they should have an understanding of the LO Comp Rule.

Policies and Procedures

Bank policies and procedures should routinely be updated to define and address all activities related to the loan origination process within the context of the LO Comp Rule.

- **Policies and procedures should be appropriate to the nature, size and complexity of the bank's mortgage lending operations.**

Providing structured training to key personnel could help ensure compliance with the rule.

- **Training could include instruction on the types of activities that could bring a bank teller, greeter, or other employee within the definition of a loan originator.**
- **Training could encompass any changes to the bank's loan originator compensation structure.**
- **Employees could be trained on any procedural changes to the mortgage loan application process to avoid potential steering and other prohibited origination practices.**

Monitoring

Monitoring should start with identifying the job responsibilities of staff involved in the home-secured mortgage origination process and understanding the role that each plays in that process.

- **Individuals that meet the definition of a loan originator should be identified, followed by a review and assessment of the compensation structure for each of these individuals.**
- **A review of loan originator employment and compensation agreements could be conducted, since loan originator compensation structures, and the manner in which they are expected to originate mortgage loans, may vary greatly between loan originators.**

Audit

An audit of compliance with the LO Comp Rule may or may not be needed depending upon the bank's volume of mortgage originations and the complexity of its mortgage products, lending operations, and loan originator compensation structures.

- **May be conducted by an external party or internally by someone not directly involved in this area.**
- **Should provide senior management and the board with a determination that the board approved policy and procedures are sufficient to meet the needs of the bank, or indicate weaknesses that need to be addressed.**

Resources

- **A special online version of the rule that enables you to easily jump to the corresponding Official Interpretations**
<http://www.consumerfinance.gov/regulations/loan-originator-compensation-requirements-under-the-truth-in-lending-act-regulation-z/>
- **The Small Entity Compliance Guide to the LO Comp Rule**
http://files.consumerfinance.gov/f/201401_cfpb_complainece-guide_loan-originator.pdf
- **The Interagency Examination Procedures and Narrative for the LO Comp Rule and for Truth in Lending generally**
<https://www.fdic.gov/regulations/compliance/manual/>
<http://www.consumerfinance.gov/>