

TO: Clarion Colorado Loan Originators
RE: Guidance regarding Mortgage Broker Compensation Disclosure

We have received many questions from our network of loan originators on how to comply with the new mortgage broker compensation disclosure regulations issued by the Colorado Division of Real Estate. Your agreement with Clarion requires loan originators to fully comply with all state and federal laws and Clarion fully expects its loan originators to do so.

Some in the industry take the position that if an originator works for his or her own small company, that this allows the originator to take the position that he/she is paid a salary and therefore need not disclose front end and back end fees. Clarion suggests its loan originators take a more conservative approach. This is because non-compliance has serious consequences and we are concerned. We are concerned that our investors will likely require the most conservative approach, at least until more guidance is provided by the DRE.

We believe that Clarion loan originators should make disclosures of all front end and back end compensation as indicated on the form. However, you should consult with your own advisors on this issue, since a violation of this provision could affect your registration and or license as a Colorado Mortgage Broker.

The Compensation disclosure should be treated differently depending upon whether the loan is wholesale (broker) or correspondent (warehouse) where Clarion is the funding lender.

Wholesale

If the loan is a brokered (wholesale) loan, the disclosure should contain the same information the Good Faith Estimate has always disclosed as to origination fee and yield spread premium. The front end compensation will be the origination fee and the back end compensation will be the yield spread premium. In both cases, the amount disclosed will be the full amount paid to you.

The disclosure should be completed:

1. I, the mortgage broker, am:
 An individual who may be paid as an independent contractor for my services in originating a mortgage loan.
2. The total compensation paid may be calculated in part based upon the interest rate and fees charged on your loan.
3. (Check if applicable):
IF KNOWN AT THE TIME DISCLOSURE GIVEN, CHECK FIRST BOX AND FILL IN BLANKS.
 The front end compensation is \$_____. The back end compensation is \$_____. The total compensation for this transaction is \$_____.

IF THE AMOUNTS CANNOT BE DETERMINED WHEN THE DISCLOSURE IS GIVEN, CHECK SECOND BOX AND FILL IN BLANKS.

___ At this time, the compensation cannot be determined. As a result, my good faith estimate of the front end compensation is \$_____ to \$_____. My good faith estimate of the back end compensation is \$_____ to \$_____. My good faith estimate of the total compensation for this transaction is \$_____ to \$_____.

Correspondent

If the loan is a correspondent (warehouse) loan, fill out the form the same way, but for back end compensation, use the amount you expect to receive after sale in the secondary market.