

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

April 11, 2012

To State Member Banks, Bank
Holding Companies, Financial Holding
Companies, Savings and Loan Holding
Companies and Foreign Banking Offices
in the Twelfth Federal Reserve District

Consumer Financial Protection Bureau Clarifies the Rules on Compensation to Loan Originators Based on Mortgage Transaction Terms or Conditions under Regulation Z

In September 2010, the Federal Reserve Board published final rules to prohibit certain practices related to loan originator compensation with mortgages. These rules, which became effective in April 2011, were issued under the Truth in Lending Act, as implemented by Regulation Z. In July 2011, the general rulemaking authority for most provisions of the Truth in Lending Act transferred to the Consumer Financial Protection Bureau (CFPB).

The CFPB received a number of questions about whether and how the loan originator compensation rules under Regulation Z apply to qualified profit sharing, 401(k), and employee stock ownership plans (collectively, "Qualified Plans"). Specifically, financial institutions have asked if contributions can be made to Qualified Plans for employees, including loan originators, if employer contributions to such plans are derived from profits generated by mortgage loan originations. On April 2, 2012, the CFPB issued a bulletin providing further clarification on this issue as it relates to both Qualified Plans and to arrangements that are not Qualified Plans.

For more information or if you have questions regarding this matter, please contact persons referred to in the attached bulletin.

Resources

For additional information on CFPB rules and related guidance, please reference the CFPB's website at <http://www.consumerfinance.gov/>.

The Federal Reserve Bank of St. Louis has also established a regulatory reform rules website that tracks the progress of more than 200 proposals and rules that will be written by the various Federal agencies to implement the Dodd-Frank Act. The site is located at: <http://www.stlouisfed.org/regreformrules/>.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking/letters>.

For additional information regarding supervisory expectations, please contact:

Federal Reserve Bank of San Francisco
Banking Supervision and Regulation
(801) 322-7853

Attachment: [CFPB Bulletin 2012-02 \(PDF\)](#)

Cross References:

[CA 12-2 Consumer Financial Protection Bureau Clarifies the Rules on Compensation on Mortgage Transaction Terms or Conditions under Regulation Z](#)
[CA 11-8 Revised Regulation Z Interagency Examination Procedures](#)