



Third Party Processing Policy

The use of properly licensed third-party processors is permitted on all loan products. All TPP fees must be bona fide, reasonable, and compliant with applicable federal and state licensing rules. All TPP fees and in-house processing fees are required to be accurately disclosed and properly supported.

Licensing Requirements

To charge a TPP fee:

Third-Party Processing Companies

A TPP company must:

- Hold all required state licenses where the subject property is located.
- Maintain an active and valid NMLS ID.
- Provide an invoice showing its company name and NMLS number, which must match NMLS records and be valid in the subject property state.

Individual (Independent) Processors

If an individual processor (not company-affiliated) charges the fee, the individual must:

- Hold an active or approved-inactive MLO license in the subject property state unless state-specific exceptions apply.
- Have a valid, active NMLS ID.

State-Specific Licensing Notes

All applicable state requirements must be followed. Examples include:

Connecticut – Independent processors require a Loan Processor/Underwriter License in Approved status with “Authorized to Conduct Business: Yes.”

Florida – Independent processors must be in Approved status with “Authorized to Conduct Business: Yes.” Sponsorship is not required.

Texas – Independent processors must have an Independent Contractor Loan Processor & Underwriter Company License in Approved status.

Utah – Independent processors may be in Approved Active or Approved-Inactive status. If they are “Authorized to Represent” a broker, their invoice must confirm they are acting independently.



If a processor or processing company is not properly licensed, a TPP fee cannot be charged on the loan.

Fee Eligibility and Limits

Maximum Fee

- The TPP fee may not exceed \$1,700.
- The amount charged to the borrower must match the invoice.

Bona Fide Fee Requirement

All TPP fees must be:

- Reasonable for market services,
- Supported by an invoice,
- Charged only if the TPP performed actual processing services.

Disclosure Requirements

Placement on Disclosures

- All TPP or in-house processing fees must be disclosed in:
- Section B – Services You Cannot Shop For
- on both the Loan Estimate (LE) and Closing Disclosure (CD).

These fees:

- Are never paid to the lender or its employees.
- May be paid to a broker only if it is an in-house processing fee under a Borrower-Paid Origination structure.

In-House Processing Fees

Under Borrower-Paid (BPO) compensation, brokers may charge an in-house processing fee, even if total compensation exceeds their comp plan, provided QM Points and Fees limits are met (3% cap; DSCR and applicable non-QM loans allowed up to 5%).

Under Lender-Paid (LPO) compensation, any in-house processing fee must be included as part of the broker's flat comp fee and cannot be itemized separately.

A loan may have either an in-house processing fee or a TPP fee — not both.



Affiliated Processors

Use of affiliated third-party processors is permitted, provided:

- Their invoice supports the fee,
- Fee is disclosed in Section B, and
- Fee is paid to the affiliated company (not the broker).
- The fee is subject to standard QM and High-Cost tests.

QM Points & Fees Treatment

To be excluded from QM Points and Fees and not treated as loan originator compensation, TPP fees must:

- Meet all licensing requirements above,
- Be bona fide,
- Be supported by an invoice,
- Be paid to a properly licensed third party.

Prohibited Activities

- Loan processors (third-party or in-house) from taking loan applications.
- Using a Change of Circumstance (COC) to increase the TPP fee.
- Charging a TPP fee when the processor is not licensed in the property state.