

Closing is not the time for surprises

It pays for home buyers to be aware of their rights.

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Getting to the title company to close on that dream house should be a good experience. But for unprepared home buyers, it's often intimidating and unpleasant instead.

"Usually, people don't know what they're looking at," said Scott Thomas, president of Mortgages Direct. "What a lot of brokers and banks will do is use the power of emotion."

Particularly in the case of first-time home buyers, the client has a high emotional stake in the house. It can lead him or her to make costly errors.

"Don't let the power of emotion cost you tens of thousands of dollars over the life of that loan," Thomas said.

In talking with clients about their past experiences, Thomas has noticed many situations where they were not properly informed.

Some do not receive a good-faith estimate or a Truth in Lending form. Bankers and mortgage brokers must give clients a cost estimate before closing. They must also give them a federal Truth in Lending form that explains their rights as a borrower.

"Their fees will be twice what was originally disclosed," Thomas said. "A lot of times, the origination fee and processing fees and a lot of junk fees are put on their closing statement that were not disclosed in the good-faith estimate at the initial application."

"How they get away with that is they say, 'Well, it was a good-faith estimate.' But if you're reputable, that good-faith estimate should go down, not up."

Gina Martin, a client of Thomas, found her actual closing costs below the estimate "due to changes in insurance and the interest rate," she said.

It was her second home purchase, and she described the closing process as considerably improved over her first. Thomas even brought flowers:

"It was his way of saying thanks, and celebrating," Martin said. "They were very excited for me."

Brokers and banks will sometimes low-ball the estimate to get the customer, rather than factor in what they believe the true costs will be. Things to watch for on the HUD 1 — the statement of costs — are fees for administration, mortgage

brokers and couriers.

These are the costs of doing business that should have been factored into the origination fee, Thomas said. Legitimate costs include the origination, appraisal and attorney's fees and the title insurance.

Reputable mortgage and real estate brokers will see to it that clients have a chance to see the HUD 1 the day before the closing. They will also attend the closing with the client.

"If that doesn't happen, the first question a client should have is, 'Where is my loan officer — banker or broker — and why is this the first time I'm looking at this?'"

Thomas requires all his loan officers to attend their clients' closings.

"If you're not there, you're fired," Thomas said. "Because that is when questions come up. If you're going to start the process, you finish it."

One rule of thumb is the client should not have to

bring more than \$500 above the original good faith estimate. Exceptions to that would be where the sales price or the home insurance quote changed.

By law, the home buyer has 24 hours to review the documents. If he or she is seeing those documents for the first time at closing, the home buyer can get up and

leave. There should be an opportunity, if the buyer wishes, to have the home buyer's attorney review the documents.

"But a lot of companies provide the lender a waiver of the 24-hour rule," Thomas said.

The waiver is not the first document the home buyer sees. The first document shown is the HUD 1 form.

"What you want to ask," said Eileen Willis of Keller Williams Realty, "is whether that is the final revision of the HUD 1."

If a charge looks suspicious, the real estate agent should catch it. "I've questioned many and found mistakes," Willis said. "Everybody is human, they make mistakes."

Home buyers cannot cover closing costs with a personal check. It must be a cashier's check, bank draft or money order. And don't expect to move into the house immediately after closing, Willis warned.

"The funds must be wired and in the title company's bank before the client takes possession," Willis said. "I've heard of people showing up at the title company with a trailer and all their belongings. If the loan doesn't fund that day, they have nowhere to go."

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EILEEN WILLIS
Realtor