

Buyers Often Pay More Than They Should When Buying a Home

It's easy to predict closing costs for sellers — basically, commissions + title insurance + closing fee + HOA fees, if any — but the closing costs for buyers, unless they are paying all cash, are far less predictable. The costs paid by buyers who finance their purchase with a mortgage can definitely add up.

There is little consistency among lenders as to the loan origination, document preparation and numerous other charges which are paid by buyers. Most but not all of those charges are spelled out in what's called the Good Faith Estimate (GFE) and cannot be substantially changed prior to closing. This allows buyer to do some comparison shopping among lenders, although not many take advantage of that opportunity, trusting in a lender

they've used before or in the lender recommended by their agent.

If you do utilize the lender recommended by your agent, note whether it is an affiliated or in-house lender. You'll know, because the Real Estate Commission requires your agent to present an Affiliated Business Arrangements disclosure listing all lenders, title companies and even inspection companies that are partially or fully owned by your agent's brokerage. Virtually all the big brokerages have such affiliated companies and those affiliations can earn large brokerages large profits. Agents in these brokerages are encouraged to recommend these affiliated companies to their clients and can find themselves being rewarded indirectly for doing so.

Affiliated business relationships can pose a conflict of interest, however,

which has not gone unnoticed by the real estate commission, but so far all the commission has chosen to do is require disclosure of these relationships. The director of the Division of Real Estate has told me she is concerned about the potential conflicts and is considering recommending other measures to protect the public.

Meanwhile, if your agent does recommend an affiliated lender, simply ask the agent to provide the name of a second trusted but unaffiliated lender from whom you might get a competitive quote. That will take the form of a second Good Faith Estimate, but do also request a list of fees that may not be on the GFE.

Regarding title insurance, the seller is probably paying the "owner's" policy which insures that the buyer gets clear title to the property, and those premiums are pretty competitive, but the cost of the lender's "piggy-back" policy, which you will pay, and of the closing fees associated with that policy can vary greatly, so be sure to ask about those fees and see if another title company offers lower fees.

The fee for closing services on the real estate transaction itself — as opposed to the closing of your loan — are usually split 50/50 between buyer and seller and can be as low as \$100 and as high as \$750. A good website

for comparison shopping title companies is www.mytitleins.com.

Even when the MLS specifies a title company for the closing, the contract your agent prepares for you can specify a different title company without shifting the cost of the owner's title insurance policy from the seller to the buyer. Ask your buyer's agent about this possibility. I have done this many times when representing a buyer.

Another area where buyers can pay more than they should is when the buyer's agent inserts a "broker administrative commission" in their buyer agency agreement. The larger brokerages in particular impose transaction fees of \$200 to \$400 on their agents, and the agents will matter-of-factly insert that amount in their buyer agency agreement for you to pay at closing. However, you can demand that your agent absorb that fee himself, and I can assure you that your agent will remove it rather than lose you as a buyer.

I feel bad for buyers when I see those and other unwarranted fees on settlement statements, but of course I can't say anything about it at closing, and it's too late then anyway.

If you have other questions about how you can save money on closing or other costs as a buyer, feel free to contact me.

REAL ESTATE TODAY



By JIM SMITH, Realtor®

This Week's Featured New Listing

Castlewood Ranch is a newer subdivision of single-family homes in a rural setting east of Castle Rock. This 3-bedroom, 2½-bath home at 5988 Turnstone Place is one of the few paired homes here, making it an affordable option with fewer homeowner responsibilities. (The HOA is responsible for the exterior maintenance and roof, for example.) While there are several detached homes on the market in Castlewood Ranch, this is the only attached home for sale. The last one that was listed (at a higher price) went under contract in two days. — and it didn't back to the greenbelt, as this one does. There is plenty of room to roam in Castlewood Ranch, with 159 acres of open space and miles of trails within the subdivision itself. The neighborhood is also close to Castlewood Canyon State Park, with its limitless opportunities for hiking, biking, rock climbing, bird watching, and picnicking. Take a narrated video tour of this home at www.CastlewoodRanchHome.info, then call me for a showing! Open Saturday, Jan. 3rd, 1-3 pm.



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