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Lessen RESPA Woes with the Right Provider

Ensure early accuracy with good title-insurance
and settlement partners

Now that the first two of months with the new Real Estate Settlement Procedures Act (RESPA) regulations have passed, it's time to see how things are going. If you express a feeling of exasperation, you're not alone. Many mortgage brokers have struggled to get their good-faith estimates (GFEs) right the first time, but it's not easy.

As a broker, you must provide more-detailed information much earlier in the process so that your title-insurance provider can respond with accurate quotes. Of course, you can overestimate some of the costs on your GFEs to protect yourself from allowable tolerances explained on Page 3 of the GFE. Then again, showing the lowest costs on your GFEs could give you a distinct competitive advantage.

Because of this, working with a title-insurance and settlement provider that can give you accurate information early in the process is imperative. Brokers should know how to select the right title-insurance and settlement provider and why the right provider can help them adjust to the new RESPA regulations and become more competitive at the same time.

What you need

The right provider can help you understand what's necessary to include on your GFEs and what rates and fees to list.

For purchase transactions, you'll need to list the premium for the owner's title-insurance policy and the loan-policy premium,

even though your borrower may not want to purchase an owner's title policy.

To have the right endorsement costs on your GFEs, you should know and communicate to your title-insurance provider enough information about the type of property and loan product, including what endorsements your lender requires.

Government recording fees and mortgage or transfer taxes can be difficult to estimate upfront, but your provider should have access to the information you need to estimate those fees correctly.

Choosing the provider

Should you or your clients choose the title-insurance and settlement providers? If you select the title-insurance and settlement providers for your clients, the costs must be within the 10-percent tolerance the new GFE requires.

You also will most likely have clients who prefer to choose a provider themselves. Many savvy consumers now know that shopping for title-insurance and settlement providers can save them hundreds or thousands of dollars in closing costs.

Working with your clients to reduce their closing costs will help you close more loans. Just check to make sure the lender with which you work will approve the title-insurance and settlement provider. When you allow your clients to choose, you don't have to worry about the cost or the 10-percent tolerance, unless your clients choose a company you identified for them.

To keep your stress level as low as

possible and give the most-accurate GFEs to your clients, you must work with a title-insurance and settlement company that can provide an accurate quote of all the fees upfront.

Don't be fooled by online calculators that may not consider all factors when generating a quote. They can be good for the basics, but you should work with a company that can provide a detailed quote early in the process.

In addition, your lender may require specific endorsement fees. Be sure the quote you receive includes pricing for those, as well. Beware of add-on fees that often go by names such as courier fees, recording-service fees and overnight fees.

Speed and fees

When working under the new RESPA rules, speed is of the essence. Look for a provider that offers fast turnaround not only on commitments and U.S. Department of Housing and Urban Development (HUD)-1 forms but also on quotes.

Some providers offer a guarantee on their fees. Guarantees generally include reimbursement for fees that the provider adds or changes and that take your GFE past any allowable tolerance. A title-insurance and settlement provider that will put its money where its mouth is generally will provide the most accurate quote upfront.

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Timothy M. Dwyer is CEO of Entitle Direct Group Inc., parent company of EnTitle Insurance Co. and ENTITLE DIRECT, the only direct provider of title insurance and closing services offering savings of 35 percent or more in 32 states and Washington, D.C., with plans for expansion into 13 additional states. EnTitle insurance policies are accepted by major lenders, Fannie Mae, Freddie Mac and the Federal Housing Administration. Contact tdwyer@entitledirect.com or (203) 724-1150, or visit www.EntitleDirect.com/mortgage.

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Remember, all fees for title insurance, search, settlement and any other fees will be bundled and listed on one line on the GFE and the HUD-1.

Because borrowers are highly encouraged to shop around for a mortgage, brokers must be as competitive as possible with their GFEs. Price competition exists in almost every state. By offering the lowest costs and the best service in these areas, brokers can remain competitive and close more loans. ●
