



Comparing the true cost of obtaining a home loan



Home buyers are often confused about where to begin in their search for a home loan. The process is usually narrowed down to finding which institutions provide the lowest settlement costs, but the different types of lending institutions and the variety of lending programs available can make the search a slow, difficult experience.

Real estate settlement costs are fees buyers normally pay when purchasing a home such as legal services property insurance, mortgage loan financing and title services. In the past, consumers would have to call each lender, request an estimate of their settlement costs and compare all of the results to find which lender offered the lowest total settlement costs.

The Department of Housing and Urban Development, however, recently revised the **Real Estate Settlement Procedures Act (RESPA) which now makes it easier for consumers to estimate various settlement costs** through computer loan origination programs. In this manner, consumers can access a computer listing of various programs offered by lending institutions.

The computer search speeds the process of reviewing various programs and allows participants to arrange financing with the listed lender. Buyers using a computer loan origination program may be required to pay a fee for this service, but many buyers feel the convenience outweighs the cost. Still, the new RESPA changes require a real estate broker with a computer loan origination program to inform the buyer that the service is only an option and that non-listed lenders may offer lower rates or fees.



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Mihaela Mattes-Realtor®
Century 21 Alliance Fine Homes and Estates

eREONE™

t **650.558.5208**
c **650.799.9496**

office@e-realtorone.com
mihaela@century21alliance.com

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The new Federal Regulations also permit real estate brokers to offer more comprehensive services to home buyers by allowing brokers to enter into controlled business arrangements with other companies associated with the home buying process. Real estate brokers were always allowed to refer buyers to lending institutions, title companies and escrow companies, but they were not permitted to accept compensation from those institutions for giving a referral. **The RESPA changes now allow real estate brokers to enter into partnerships or actually open their own mortgage service institutions.** This allows brokers to provide virtual “one-stop shopping” by handling the entire settlement process.

RESPA changes were made to help home buyers learn about and obtain mortgage services more conveniently. Since RESPA helps consumers to understand the process of home ownership, the regulations may encourage more potential buyers and further stimulate the real estate market.

Get up-to-date information about RESPA (Real Estate Settlement Procedures Act) at www.hud.org, search with the keyword RESPA.

Summary:

- **RESPA MAKES IT EASIER FOR CONSUMERS TO ESTIMATE SETTLEMENT COSTS**
- **RESPA HELPS CONSUMERS TO UNDERSTAND THE PROCESS OF HOME OWNERSHIP**
- **RESPA ALLOWS REAL ESTATE BROKERS TO OPEN MORTGAGE SERVICE INSTITUTIONS.**

**Let us help drive your next success!
For more information, please feel free to contact me directly.**



Mihaela Mattes-Realtor®
Century 21 Alliance Fine Homes and Estates

Century 21 Alliance
1528 South El Camino Real, Suite 100
San Mateo, CA 94402

t 650.558.5208
c 650.799.9496
office@e-realtorone.com
mihaela@century21alliance.com
www.e-realtorone.com

