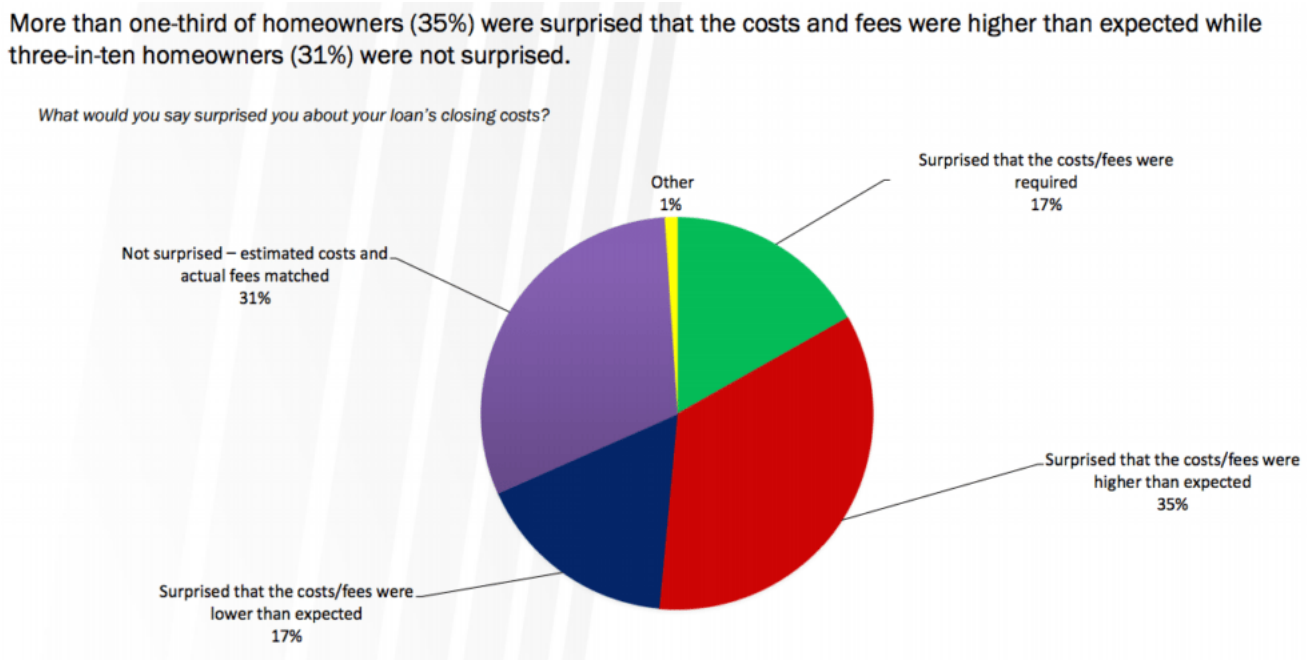
ClosingCorp survey: 52 percent of lenders ‘off’ on initial home loan estimate

In October 2015, TRID — the TILA-RESPA Integrated Disclosure rule, or “Know Before You Owe” — was implemented to make the lending and mortgage process more transparent and easier to understand for consumers.

Although the rule has mainly achieved its goal, there are still some parts of the buying process that remain a bit of a mystery to buyers.

What’s surprising buyers at the closing table?

ClosingCorp, a provider of residential real estate closing cost data, released its latest survey, which shows buyers still need more education when it comes to the fees associated with closing on a home.



The study was conducted by Wilson Perkin Allens Opinion Research between January 2 and 5, 2017, and it included responses from 1,000 homeowners who had bought their home in the past 12 months.

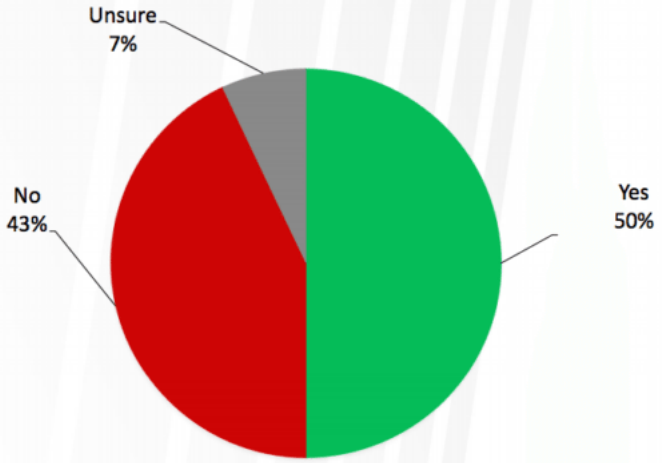
According to the research, 35 percent of buyers were surprised their final closing costs were higher than originally estimated. Furthermore, 17 percent were blindsided by the fact closing costs and fees were even expected.

For those who were taken aback about the closing costs, these five items surprised them the most:

- Mortgage insurance (24 percent)
- Bank fee/points (23 percent)
- Taxes (22 percent)
- Title insurance (21 percent)
- Appraisal fees (20 percent) and fees paid by the buyer vs. seller (20 percent)

Half of homeowners (50%) say the estimated closing costs received at the start of the loan process differed at closing while 43% said the costs did not differ.

Did the estimated closing costs received at the start of the loan process differ at closing?



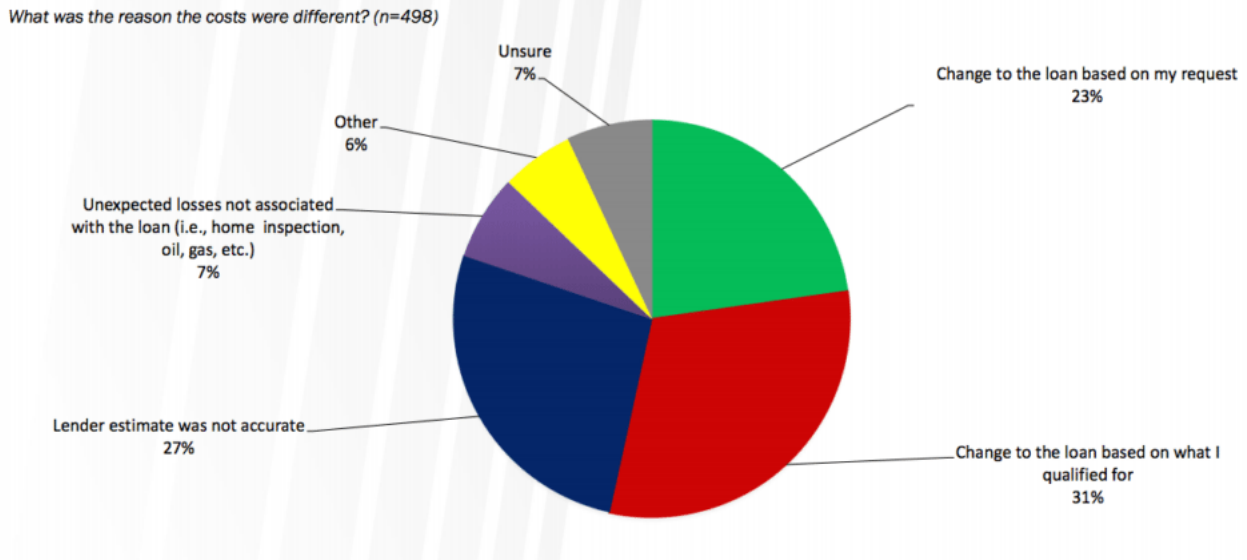
Top Groups	
Yes	**%**
Home Value $1mil+	58%
Home Value $500k to $1mil	57%
Men 18-54	56%
Income $50k to <$100k	55%
No	**%**
Men 55+	66%
Women 55+	61%
Home Value <$250k	47%
Midwest	45%

Why the surprise?

At least part of the surprise from some of these fees were due to the fact that 52 percent of lenders were “off” on their initial home loan estimates.

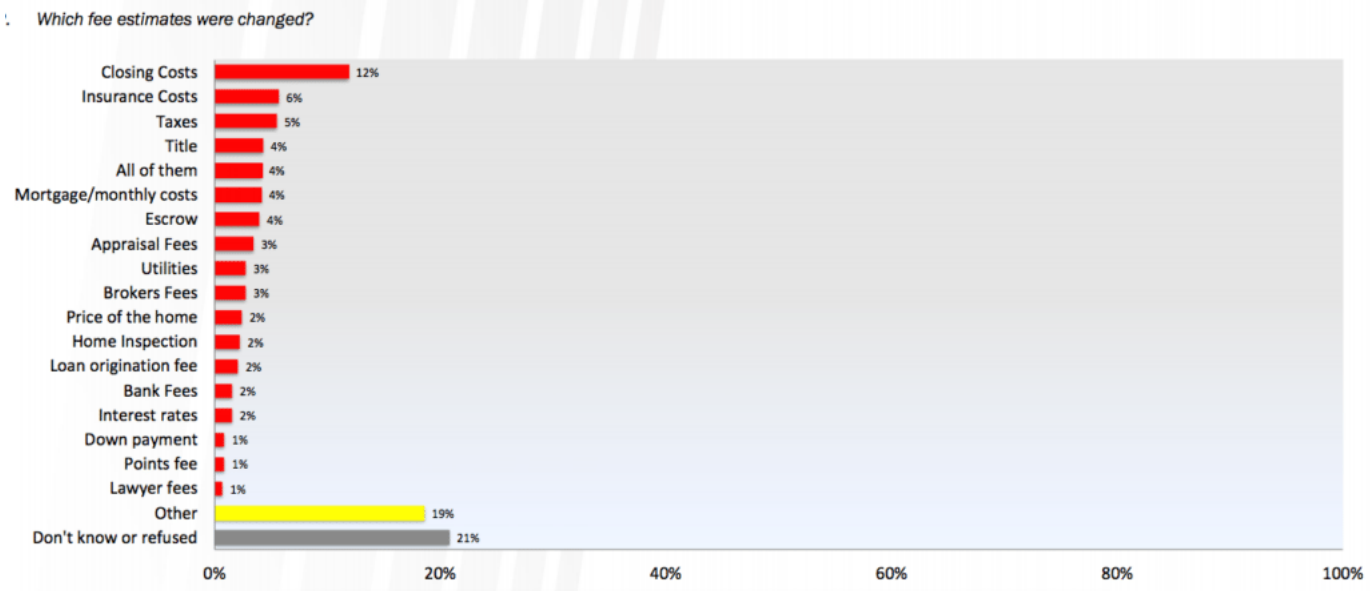
The most closing cost discrepancies were seen in those buying homes in the $1,000,000+ (58 percent) and $500,000 to $1,000,000 (57 percent) ranges.

Of homeowners who said their costs were different, nearly one-third (31%) said that they were different because there was a change to the loan based on what they qualified for.



The no. 1 and no. 2 reasons for closing cost discrepancies were changes to the loan based on what the buyer qualified for (31 percent) and inaccurate lender estimates (27 percent). In 23 percent of discrepancies, buyers requested a change to the loan.

More than one in ten homeowners (12%) who had their fee estimates changed said their closing costs were changed.



Finally, 58 percent of homebuyers received a revised estimate prior to closing on the home due to amended initial fee estimates, which include changed:

- Closing costs (12 percent)
- Insurance costs (6 percent)
- Taxes (5 percent)
- Title (4 percent)
- Mortgage/monthly costs (4 percent)
- Escrow (4 percent)
- Appraisal fees (3 percent)
- Utilities (3 percent)
- Brokers fees (3 percent)

Bob Jennings, the chief executive officer of ClosingCorp, said the survey should serve as a reminder to Realtors to fully educate their buyers about each step of the closing process.

“As more and more millennials become first-time homebuyers, TRID or Know Before You Owe has made it easier for them to understand the costs and fees they’ll face at closing. Yet there are still surprises during the closing process,” said Jennings in a statement.

“Lenders and Realtors need to keep educating borrowers on the costs and fees associated with closing to alleviate surprises,” he added.

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Source: click here