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Whose Service With Settlement?

By Elizabeth Razzi
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It's so strange. I just spent a few days touring the boring underbelly of real estate transactions, namely the world of title companies, settlement agents and real estate lawyers, and eventually found my way to a cappuccino machine in a "closing cottage." Seriously. It's in Bethesda.

I also found hundreds of dollars in discounts offered by some companies. I found fee lists posted online, shedding light on the mysterious numbers that show up on closing statements. And I found more than a little bit of grousing that independent settlement companies are getting frozen out of deals by large real estate brokerages that have in-house settlement units.

Cappuccino, discounts and a touch of drama. Who would have expected all that from the staid world of real estate closings?

In the District, Maryland and Virginia, licensing requirements vary, but the bottom line is that closings can be handled by someone who is not a lawyer. However, it's not unusual to find a lawyer doing the job anyway. Typically, buyer and seller appear in person before a "settlement agent" to sign their papers, exchange money and close the deal. Leading up to the closing, settlement agents order the title search, which is a review of local land records to verify that there are no other ownership claims to the property. Settlement agents also coordinate the documents and money exchanges needed at the closing. The buyer and seller can expect to pay \$300 to \$400 for such services.

The bulk of a settlement agent's profit comes from the commissions earned selling title insurance, which can cost \$2,000 on a \$500,000 home. And that's just for the policy that covers the lender in case someone should make an ownership claim against its collateral. (It's wise for buyers to spend extra for insurance that would cover them as well as the lender, even though such owners title insurance would likely double the expense.)

By law, home buyers have the right to choose the settlement agent who will handle their deal. Few buyers have an ongoing relationship with a settlement company, however, so most rely on the recommendation of their real estate agent. It has always been so, and there's nothing wrong with that. But increasingly, brokerages have established partnerships with settlement companies, and title insurance commissions have become an important part of brokerages' bottom line.

Real estate brokers are required to disclose to buyers if they have a business interest in a settlement company. And the disclosure form actually states that buyers should shop around to be sure they are getting the best rate.

Independent settlement agents complain that brokerages put pressure on their agents to recommend the

in-house services. Harvey S. Jacobs, a lawyer who oversees closings in Maryland and the District for his Rockville firm, Stress-Free Settlements, cited "enormous" and "increasing" pressure on agents to refer buyers to the in-house settlement companies. He said some agents don't even want to be seen having lunch with an outsider.

Experienced real estate agents who have had good experiences with outside settlement agents are more likely to resist such pressure. Newer agents have had less time to build these contacts and may be more likely to go with the flow. A smart buyer will ask an agent specifically which closing services are in-house, and which are not. It's worth an hour or two of your time to ask for quotes from both types.

"If their plate is full [with in-house referrals] there is no incentive to provide customer service," Jacobs said.

The trouble is, customer service is a nebulous concept when all a buyer wants to do is get the dreaded closing finished -- and to avoid unnecessary expenses. What kind of service are we talking about? We'll soon get back to that cappuccino I mentioned earlier. There are, however, more quantitative perks (sorry) to consider first.

Give bonus points to any company that posts prices on its Web site. At Stress-Free, for example, a detailed list of closing expenses and title insurance rates is posted on the Web site, <http://stressfreesettlements.com>. Online requests for title search and survey garner a \$100 discount. And Jacobs's legal practice extends to non-settlement services such as preparing or reviewing sales contracts, or representing an owner in real estate disputes.

Jerry Boutcher, president and chief executive of Monarch Title, which handles settlements in the District, Maryland and Virginia, promises credits averaging \$1,450 per transaction for buyers who retain his firm if they also get a mortgage with First Savings Mortgage in Vienna. Monarch has established its own affiliated business relationship with First Savings, much as real estate brokerages have established relationships with settlement companies. Boutcher says he takes a share of his profits from the arrangement and rebates it to buyers. His firm also promises that closing costs won't change after they know your purchase price and loan amount. You need to shop other lenders' interest rates, though, to make sure First Savings' mortgage is competitive.

Don't assume that a settlement company that has an affiliated business agreement with a brokerage is out of the game. MBH Settlement Group in Fairfax is one of several settlement firms affiliated with Long & Foster Real Estate. MBH promises a one-day turnaround if you ask for a fee quote on <http://mbh.com>. And it promises to match competitors' discount offers. Now that's an incentive to shop.

And, finally, the cappuccino. That's the calling card of Settlement Pros, a Bethesda settlement company that handles deals in the District, Maryland and Virginia (plus Delaware and Florida). It, too, posts a list of estimated closing costs on its Web site, <http://settlementpros.com>. It specializes in home sales priced at \$1.5 million and up, and promises compulsive attention to detail, according to P. Joy Siegel, a real estate lawyer who founded the firm.

Nearly all of the closings are conducted in an elegantly homey "cottage" on Chestnut Street in Bethesda. Siegel said she loves picky, detail-oriented clients. "Great. If you're on top of your stuff, bring it on," she said.

She said her fees are competitive, but low-price shoppers generally aren't her market. "We're pretty darn famous for our hospitality," she said. There's even a photo of that cappuccino machine on

<http://www.settlementpros.com>. So, with your multimillion-dollar closing, you get a free cup of joe. Just wait until Starbucks hears.

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