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## **Online Shoppers for Real Estate Closing Services Left Out of Final RESPA Rule**

*ClosingCorp says Instructions Discourage Consumer Choice*

*San Diego—December 1—* Consumers will have less choice and pay more for closing services like title insurance because last week the Department of Housing and Urban Development (HUD) failed to enact simple changes to the Real Estate Settlement Practices Act (RESPA) that would encourage home buyers to shop for closing services, Paul Mass, the president of ClosingCorp, a San Diego-based information services company, said today.

During the lengthy RESPA rulemaking process, ClosingCorp urged HUD to consider simple modifications to the proposed Good Faith Estimate ("GFE") that would (i) better educate consumers about which closing services they can shop for, (ii) eliminate the GFE's bias toward use of the lender's designated closing providers and explain, objectively, their right to shop for lower-cost providers who might otherwise best meet their needs, and (iii) refer consumers to other sources of information that would assist in their evaluation of title insurance and other settlement services. Historically, consumers have not shopped for title insurance and real estate closing services, according to a 2007 study by the General Accountability Office, and the GAO specifically recommended that, "The Secretary of HUD should take action to... 'improve consumers' ability to comparison shop for title insurance."

"We are very discouraged that HUD, in the waning days of the current administration, would proceed with a RESPA overhaul, affecting every home closing in this country, that not only fails to encourage consumers to shop for closing services, it

effectively makes it punitive to consider doing so. The new rule keeps home buyers in the Dark Ages when it comes to shopping for real estate closing services. In no other area of commerce does Federal policy actually discourage consumers from using the power of the free market to get the best value as the new RESPA rule does when it comes to shopping to save on closing costs," said Mass.

Under the Good Faith Estimate provision of the new rule, a mortgage lender can "guarantee" to its customers that the price of its designated vendors' settlement services will not increase by more than 10 percent at closing. If, however, borrowers elect to shop for their own real estate closing service providers, they have no such protection. "It should be no surprise that a borrower, when faced with this choice, will decline to shop for settlement service providers and be relegated to use those vendors preselected by the lender," the company said in its comments on the rule filed last May. ClosingCorp urged that HUD provide consumers who prefer to shop for their own real estate settlement services with clear information as to what services they can shop for; explain that they may find *lower* rates or more acceptable providers on their own; and even refer consumers to online or other resources that will assist them in comparing vendors and prices, or even initiating a transaction. Alternatively, HUD could provide these links and references on a newly-created consumer assistance page on its own Web site.

"Rather than frightening consumers into using a mortgage lender's preselected providers, we suggest that HUD affirmatively tell consumers that comparison shopping, facilitated by the Internet, is an effective and empowering way to lower their real estate closing costs, including costs for title insurance and settlement services," the company said in its comments.

"We strongly disagree with HUD that the 10 percent tolerance scheme as written will protect consumers from "low ball" closing cost estimates thereby promoting worthwhile consumer shopping. The GFE form and its instructions have been written in a way that creates uncertainty for the consumer: 'don't shop, it's risky, use the lender's providers, it's the easy way out,'" said Mass. "HUD would have been better served, if, the GFE Instructions had added wording such as, "shopping for settlement services may lower your costs and help you find a provider that best meets your needs." He urged HUD to revisit its instructions that discourage consumers from shopping for themselves and add language that explains to borrowers how and why they might want to seek out vendors on their own or through their trusted professionals, such as real estate agents.

During the implementation period, Mass vowed to continue to work with Congress and HUD to achieve changes in the GFE form that will make the rule more consonant with the online, consumer-centric environment that characterizes residential real estate today.

“Eighty-seven percent of buyers use the Internet and most start their search for a home online, according to the latest information from the National Association of Realtors. It’s time that we bring the final phase of the transaction—closing—into the Information Age,” said Mass.

#### About ClosingCorp

ClosingCorp, an independent real estate information services company based in La Jolla, CA, is the parent company of [Closing.com](#), the most comprehensive source for real estate closing services on the Web. The site empowers consumers and real estate professionals to shop, compare and evaluate real estate closing services in their geographic area. Visitors to the site will be able to estimate their closing costs, learn more about a real estate closing service provider’s products, services and rates, make inquiries and initiate transactions online.

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