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AARON
KESSLER

IN THE
HOUSE



Refinancing pros soon will be busy

The particulars of the Obama administration's new \$75 billion housing plan — backed up by a couple hundred billion dollars headed to **Fannie Mae** and **Freddie Mac** — are still being flushed out.

Whether it will work remains to be seen. Many have advocated that without writing down the principal on upside-down mortgages to reflect current values, the proverbial sword will still hang over many homeowners whose homes will never again be worth what they paid for them.

But one thing is clear: the plan is likely to kick-start a huge round of refinancing among those who qualify for aid. Underwater homeowners may not see the root cause of their problems solved by refinancing, but up until now they didn't even have the option to refinance — Fannie Mae and Freddie Mac would only buy up loans that comprised up to 80 percent of a home's value. If you are an underwater homeowner, by definition you owe more than that.

The Obama plan calls for Fannie and Freddie to waive that 80 percent requirement on loans it owns, which could open the floodgates for underwater homeowners who have adjustable-rate loans, and are desperate to refinance them before their payments get any higher. Of course, there is a limit — severely upside-

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Refinancing experts will soon be busy

KESSLER from 12D

down borrowers may still be left in the cold by the plan when it comes to refinancing.

But what is all but certain is a wave of refinancing is about to begin, not just for qualified underwater borrowers, but for huge numbers of homeowners struggling to make their mortgage payments that other parts of Obama's plan are intended to help.

If you are in the refinancing business, then, or connected to it, you could be looking at a busy year. For example, one type of business likely to see a significant uptick? Title insurance companies.

That is because when borrowers refinance a mortgage loan, they are generally required to purchase title insurance again.

The purpose of title insurance, to verify there are no problems with the title — like liens from previous owners or property documents missing the correct signatures — and to ensure going forward that a buyer is protected (hence the insurance), is vital. The cost, however, is frequently inflated from what it could be, thanks to significant commissions title agents receive for their work. When buying a house, title insurance can be one of the largest components of your closing costs.

When a borrower refinances,

new title insurance has to be purchased, and therefore another round of fees is incurred by the homeowner.

Recently, a Connecticut-based company began offering consumers the opportunity to buy title insurance directly in several states, including Florida. The company, **Entitle Direct Group**, did not release specific figures for its Florida operation, but **Timothy Dwyer**, its CEO, said that business in Florida "was very good" so far.

"We're very pleased with how we've been received since starting in Florida," Dwyer said.

Dwyer said his company is able to offer homeowners a discount of up to 35 percent on title insurance, largely because of the more streamlined cost structure of the company and the reduced commissions it charges.

"We don't see why consumers should be paying a 70 percent commission, so we think by offering the same level of service, if not better, at a lower cost, that we will attract homeowners in Florida in need of a title company," Dwyer said.

Entitle Direct offers a number of online tools to track the progress of numerous documents and other information leading up to a home sale closing, which Dwyer said he hopes will shed light on the "black box" of

closing — when a buyer shows up on closing day and is presented with the enormous stack of documents he or she is expected to sign.

"The way closings are normally done just doesn't make any sense, and certainly doesn't help the customer's understanding," he said. "You should have ample time to review things ahead of time, before everyone shows up for the closing."

Dwyer said Entitle Direct does still send a real person to the closing itself, and that the company is not strictly Web-based.

One thing is for sure: anything that can be done to create a more transparent and understandable closing process should be welcome. As the housing crisis has shown, many buyers knew they were signing up to buy homes they could not really afford. But the evidence of subterfuge on the part of some lenders also is abundant — where many buyers showed up on closing day to find the terms of their loans were different from what they originally agreed to, or thought they did.

In some cases, they did not even realize the terms buried in that mountain of paperwork would someday lead to ballooning mortgage payments they could never afford. Now, of course, we're all paying for those sins.