

Real Estate Commission Warns About Affiliated Business Arrangements

Real estate brokerages are allowed to own title insurance companies, mortgage companies and other "settlement service providers." The Colorado Real Estate Commission merely requires that such arrangements be disclosed in writing, along with a warning that the fees charged by settlement service providers can vary.

Both title insurance and loan costs **do** vary substantially. Title insurance exists to insure buyers (and their lender) that the property is being transferred free and clear of any liens. Policy rates are filed with the Division of Insurance and are pretty competitive. Also filed with the state are "reissue rates" based on how recently title insurance was purchased, such as when the seller refinanced his mortgage. Reissue rates and the fees for **conducting** the closing can vary significantly. I've seen closing fees as low as \$100 and as high as \$700. Don't let your agent steer you to utilize their in-house title company without asking about the reissue rate and closing fees.

Lenders are also highly competitive, and your broker's in-house mortgage company may not offer the best deal, when you factor in not only interest rates but the other fees associated with getting a loan. Request a "Loan Estimate" from multiple lenders.

Almost all large and many medium-size brokerages own or have a financial interest in a title company and/or lender, and, if so, you will be presented with an "Affiliated Business Arrangement Disclosure" when you hire an agent from one of those companies. That disclosure will contain the following statement: "The rates quoted by these companies may not be the lowest available and are subject to change."

In addition, the standard state-approved listing and buyer agency agreements state that the seller or buyer "acknowledges that costs, quality, and extent of service vary between different settlement service providers."

What concerns the Real Estate Commission is that consumers typically do **not** "shop around" and typically accept the recommendations of their agents.

Before starting Golden Real Estate, I worked at two brokerages which owned both a title company and a mortgage company. Although broker associates were free to recommend other title companies or lenders to

40% of Adult Children Live With Parents

Here's a statistic with major ramifications for our real estate market. It comes from economist Elliot Eisenberg of GraphsandLaughs LLC, whose "Brief Blog" I receive daily. A recent email read as follows:

"In 2015, the percentage of those 18 to 34 living with their parents was 39.5%, the highest level since 1940 when it was 40.9%. Of course, 1940 was one year removed from the end of the Depression. The rate then fell to an all-time low of 24.1% in 1960 and has slowly risen since with a recent big run-up."

You can subscribe to Dr. Eisenberg's daily blog posts at his website, www.econ70.com.

their clients, we quickly learned that agents who "captured" clients for the title company and mortgage company were favored by the managing broker when it came to dispensing relocation and other leads.

Ideally, an agent will give you two or more title companies and lenders from which to choose. Even so, that agent is likely to "sell" the client on using his brokerage's own title company or lender, without it being obvious to the client how the use of that title company or lender benefits the agent.

I don't know if this is still the case, but when I was with my first brokerage, the company-owned mortgage company would provide free business cards and free flyers for our listings, in return for letting the lender promote itself on the back of our business cards and flyers. The toll-free number listed for the lender on those business cards and flyers was unique to me, which allowed the mortgage company to know that the call came from my business card or my flyer. I know that this information

was provided to my managing broker so that she, too, would know that I was "playing the company game."

Typically, the seller, through his agent, selects a title insurance company, which is listed in the MLS, for purchasing the "owner's title policy" which guarantees free and clear title to the buyer. Theoretically, the buyer can select his own title company, but this is rarely done for two reasons.

First, the seller typically pays for the owner's title policy. If the buyer wants to change that selection, he is expected to assume that cost, typically over \$1,000.

Second, if the buyer exercises his right to select a different title company for the policy which covers his **lender** for the amount of the mortgage, the cost for that "lender policy" will be much higher than it would be if purchased as a "piggy-back" policy from the seller's title company. As a result, the buyer almost always goes along with the seller's choice of title company to avoid paying significantly more for coverage.

Golden Real Estate has no affiliated business arrangements and has no plans to enter into such arrangements.

Surprise: Electric Vehicles Really Excel in Winter

It's great to see more and more electric vehicles (EVs) on our roads, and I was particularly gratified recently when a reader said he bought a Chevy Volt (and "loves it") because of a column I wrote in mid-December.

Shortly after I published that column, the weather turned bitterly cold, which is when the benefits of driving an EV really stand out. Here are some features that come to mind, based on my own experience.

1) **Regardless of temperature, EVs always "start" and don't need warming up.** Even if it's 20 below zero, get in the car and drive off immediately with full performance.

2) **EVs never stall.** How could they? There's just a battery and electric motor. If you see an EV on the side of the road, it is likely because of a flat tire, an accident or some personal needs of the occupants. If you're stranded in a snowdrift, your car's battery will probably keep you warm longer than the gasoline in a gas-powered car's tank — without carbon monoxide.

3) **No "puffing"!** If you want to warm your car's cabin, you can do so in your garage without raising the garage door. In the Tesla, there's a "smart pre-conditioning" feature which learns what time you nor-

mally leave for work (or leave for home) and pre-warms, or pre-cools, the car before your departure time arrives. Also, mid-day or anytime you can pre-warm or pre-cool the cabin remotely using Tesla's smartphone app.

4) **EVs have a lower center of gravity and better front-rear weight distribution, which improve road-handling and traction,** especially in snow. The all-wheel-drive Tesla handles better in snow than any car I know. You've never experienced anything like it!

5) **Traction control does not utilize an EV's brakes** the way it does in a gas-powered car. Instead, the electric motor only sends as much power to each wheel as it can handle without spinning the wheels.

6) **Accessories, including heating and cooling, work without starting the electric motor.** When you get in a Tesla, everything except the motor and power steering are working. Step on the brake to "start" the car.

7) **You won't have to pull out your keys or your remote** to open your locked car, at least with the Volt and the Tesla. This is particularly nice when it's below zero! Just have the proximity key in your purse or pocket.

REAL ESTATE TODAY



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