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## *Dave Windsor's 'Alaska Real Estate'*

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### **What's The Point?**

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When applying for a home loan, or even making an inquiry, consumers need to be aware of how the closing costs are calculated, particularly with regard to so-called "Points".

What is the point? First, and foremost, the "POINT" is simply a word that is synonymous with 1%. Half a point is 0.5%. A quarter point, often the adjustment made nationally by the FED, is 0.25% (a quarter of a percent). You could even describe Realtor Fees in "Points". A Realtor may charge 6 points to list your property for sale, 5 points, or even less if you can negotiate the fee.

Some lender points are negotiable, but mostly not. Lenders are generally non-negotiable unless you can demonstrate that an alternative source is quoting you a better deal. If you can produce a written cost sheet from one lender showing lower charges for your loan,

you may be able to have that matched by your preferred lender. This is rather like some retail outlets who promise to match any competing store for the price of a particular item.

The problem with the home loan industry is that there are multiple charges and points involved and many a naïve consumer can be tricked by one lender appearing competitive when they are not. It is even possible to find a home loan online where your closing costs are "Zero" - - - BUT this is often offset by an increased interest rate which means you are paying a lot more over time!

On October 3, 2015 new Federal Regulations came into effect to protect consumers on this very issue. T.R.I.D. - an integration of the Truth in Lending Act (T), the Real Estate Settlement Procedures Act (R), Integrated (I), Disclosure (D).

TRID, more affectionately known as "Know before you

Owe", requires a written disclosure of your precise loan terms a full 72 hours ahead of any closing of a real estate transaction.

In addition, TRID (a result of the Dodd-Frank Act passed by Congress in 2013) requires that you, the consumer, be given a Loan Estimate at the front end of your transaction within 3 days of your Loan Application showing the lender's "Good Faith" numbers for ALL charges associated with the loan. This is designed to prevent lenders misleading you.

Don't be afraid of points, unless it is on the end of a spear in the Kalahari !

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