

Fewer Papers to Settle a Sale **The Baltimore Sun, May 12, 2002**

HUD seeks to streamline settlement process

System is called antiquated

Md. has created task force to cut mystifying red tape

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Any buyer or seller who has gone through a real estate settlement quickly realized how intimidating, daunting and confusing the process can be.

First, there's the lender's package, which a courier doesn't deliver to the title company until just a few hours – or minutes-before buyers and sellers sit down to the settlement table.

Then there's the seemingly endless mound of papers to sign.

Disclosure forms that would require a translator.

And, because many times no one knows what the final costs will be, there's always the reminder to "bring your check-book."

For Steven Van Grack, chairman of the Maryland Real Estate Commission, and regulators at the Department of Housing and Urban Development in Washington, enough and is enough.

Van Grack has organized a Settlement Task Force in hopes to "facilitate, simplify and modify" the settlement process. The task force, which has its first meeting last month and has a second meeting scheduled for May 24, is made up of state officials, real estate agents and representatives of the mortgage and title industries.

Settlement reform was born last year when newly appointed HUD secretary Mel Martinez purchased a home in Washington. After closing on the house, he – like thousand of other Americans – realized how complex and dense the process typically is.

"If I'm a lawyer, and the secretary of HUD, and I'm not reading this junk, you know there's work [to be done]," he said in an interview published in June.

When Van Grack took over as chairman last summer, he, too, floated the idea of settlement reform. And when he recently refinanced his Rockville home, it reinforced the point that the process is flawed.

"I literally, after numerous requests [for the final documents], got them at 10:30 and it was for a 3 o'clock settlement," he said. "There were 62 pages of documents.

They were extensive. There was redundancy, repetition, confusion, and I literally went through and read as much as I could."

After he relayed that experience to those attending the first meeting, he said, others pointed to similar problems.

"It was one of those rare situations where we had 20 people sitting around a table and nobody disagreed that the process was a nightmare," said Mary C. Antoun, chief executive officer of the Maryland Association of Realtors.

Van Grack said, "I think for the vast majority of people, it is just too complex. And they just end up going into a trusting relationship. By and large, it works out, but there are too many instances where people are taken advantage of."

Nerry Mitchell, a deputy commissioner in the state's division of financial regulation, which oversees the lenders, agreed that tackling the settlement process is a "pretty huge task... but it is something that has to be done because the system – as it stands right now – is bursting at the seams. And I predict that it will collapse under its own weight sometime pretty soon if nothing is done."

Van Grack said HUD sent a representative to the first meeting that at this month's meeting he hopes to have in hand draft regulations the federal agency is considering issuing in the summer.

Because most of the bureaucracy in a settlement is dictated by federal regulations, Van Grack knows the states has only a certain amount of influence on the process.

"We have the opportunity to influence federal policy, and that is over and above any expectation that we had," Van Grack said. "And we certainly are now able to see if we can have a real effect on state regulations. It's staggering if we can do all of that."

Members thought more attention should be paid to improving the use of technology and to upgrading the "financial literacy" of consumers.

"I was flabbergasted when I heard that most of what happens in settlement is still done in this very low-tech sort of way.... That people literally messenger forms around from lender to settlement attorneys," said Mark Feinroth, assistant secretary of the Maryland Department of Labor, Licensing and Regulation. "They aren't using computer forms. They aren't e-mailing forms back and forth.

"The real estate commission can issue a license paperlessly. You can go online and electronically renew your license. There is nothing [like that] going on in the settlement industry right now ... between title insurance, between banks and settlement attorneys. These forms are literally walked around town."

Feinroth would like to see the industry move away from its "Stone Age technology" and get to the point where consumers would at least be able to view documents over the Internet.

"I think the industry has the ability to impact the process just through this technology issue," he said. "They ought to b

What would also help consumers, Mitchell said, is a better way to educate the public on the process, language and phrases used by the title companies and lending industry.

It's not just the functional process that we should try to fix, but we should also look on another level at financial literacy," he said.

"We don't yet have a fundamental system in our educational system that says to kids, you've got to have an understanding of consumer issues. Because all of us, whether we are doctors lawyers, newspaper editors, are going to have to be consumers... and we need a system that includes financial literacy and consumer education."

What leaves Van Grack most optimistic is that all participants realize that there is a common understanding of the problem.

"The part about this task force [I like] is that I'm not the only guy out there singing this song," he said. "We're harmonized together."