



Buying a House? Beware the Junk Fees

Many Closing Costs May Only Exist to Take Money Out of Your Pocket

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Beth and Robert Grommesh and their newborn baby, Alley, love their new home outside Minneapolis.

They're not so crazy about what happened to them when they closed on the house.

"It is a little overwhelming you don't really know what you're all getting into and you just kind of sign. That day, you keep signing papers and you hope it's all correct," Beth said.

Robert added, "If there's an extra fee -- \$20, \$100, you don't really notice it."

But the Grommeshes have now discovered they may have gotten ripped off on some of their closing costs -- they were charged for phony services.

For example, they paid \$500 for a mysterious "processing fee." They also paid \$575 for an official-sounding "administration fee."

In all, they paid \$1,265 in what are considered junk fees -- "things that if you asked the mortgage broker 'what'd you do for these fees?' They couldn't tell you," said Stephen Gandel, a writer for Money magazine.

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Buying a home is the biggest deal most people ever do, but it's also something they rarely do. The expenses, documents and legal language are unfamiliar.

"If this was an everyday transaction, if you went to the grocery store and they said there's a \$100 processing fee on your grocery bill you would recognize that as not appropriate," Robert said.

A Money investigative report suggests closing cost rip-offs are so widespread, home buyers now pay eight times the closing costs they paid 40 years ago.

"It happens because it's a very confusing transaction, and it's set up to be confusing," Gandel said.

Trade groups representing mortgage brokers and title agents agree there are bad apples in the industry. But the National Association of Mortgage Brokers says most brokers earn their customers' trust "by clearly providing information about & closing costs."

"Everyone we talked to in our story, real estate brokers, mortgage brokers, title companies, their comeback was, 'well what we're doing is totally legal and industry standard,'" Gandel said.

"Well they're right, industry standard is to make consumers pay more than they should!"

Extra Money Is Always Good

Overall, the Grommeshes believe they were dealt with fairly, and they're satisfied with their mortgage and the closing.

Still, they wouldn't mind having their \$1,265 back.

"You know it is a big chunk of money and we certainly could have done something different with that money," Beth said.

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