

Taking Stock: Be careful when dealing with 'loan rangers'

by Malcolm_Berko

Dear Mr. Berko: Way, way back in 1972 my wife and I bought a new home for \$105,000, which was a lot of money to us back then. We had a 30-year \$85,000 mortgage with a savings and loan at 7 percent and paid it off in 2001 after making 360 payments of \$565.51. After our last payment in September of 2001, we had a mortgage-burning party. Our home, which is on the water, is now worth over \$500,000. I'm 64, a retired civil service employee with a suitable pension and my wife who is the same age retired from a large export/import law firm in Miami. Well we have a very serious problem. Our son, who lives in another state, made a series of bad business decisions and desperately needs \$300,000 to pay a series of debts. Bankruptcy is an alternative but if he uses bankruptcy he will be subject to discipline proceedings and his professional reputation will suffer. So we've decided to take a \$300,000 mortgage on our home and we can get a 20-year loan at 7 percent and our son has agreed to make the \$2,000 monthly payments. What I need to know is how much in fees and charges should I have to pay on this loan? The fees, according to the mortgage broker, are \$10,020. In your experience, what should the fees come to? A friend who dabbles in real estate tells us that we are overpaying by 50 percent.

D.K.

Deerfield Beach, Fla.

Dear D.K.: Holy Moses, Mike and Mary! The lending institution is taking you to the cleaners, picking your pocket, pulling a fast one, giving you the royal shaft, "loading the tray," squeezing the mark and raking you over the coals.

You must be extremely careful with lenders and mortgage brokers. Many of these people are as crooked as a shillelagh - they'll rip your heart out and squeeze that sucker flat till there's not another drop of blood they can bleed from your corpse.

Your largest nonnegotiable expenses on a \$300,000 mortgage are county and state stamps (in Palm Beach County), which should be 0.55 percent of the loan amount, or \$1,650, plus a \$225 recording fee. Even these fees are a rip-off of epic proportions. But that's to be expected in Palm Beach County. The other nonnegotiable cost is the \$2,050 for title insurance. Title insurance for you is a criminal rip-off of biblical dimensions and makes as much sense as wearing sunscreen indoors. The title to that house has been in your name for 36 years and a record search plus the boilerplate title policy can be completed in less than three minutes.

So far, you have \$3,925 in ridiculously obscene nonnegotiable costs. Forget the 1 percent lender's fee, the \$250 loan application charge and tell the lender to stuff his \$300 underwriting fee. A \$100 wire transfer fee is a joke and so is a \$300 lender's inspection fee, a \$250 notary fee, a \$900 legal fee, a \$300 pest inspection cost and I'll stop here.

In addition to the \$3,925 of hugely excessive nonnegotiable costs a lender's fee of \$895 is fair, so is a \$276 escrow fee and a document preparation fee of \$250 and of course a tax reserve of (guessing) \$300 and prepaid reserves of \$100 is also reasonable. So in my opinion, your maximum costs for a \$300,000 mortgage should not exceed \$5,400.

Tell the lender to get with this program or take a hike to Cuba.

Finally this slime ball wants to sell you a 30-year fixed mortgage with a 7 percent interest rate. No way, Kimosabe! That unscrupulous carpetbagger should easily negotiate a rate between 6.25 percent and 6.50 percent ... and not a single basis point higher. Frankly, I'd tell those picaroons to stuff it.

Bebop down to your local S&L and because you know what the costs are you should be able to personally negotiate a fair deal yourself and perhaps avoid an \$895 lenders fee. Florida is a tough state to find a mortgage because it attracts so many greedy con artists. In Boca Raton, we have a street nicknamed "maggot mile" where many of these flimflam artists, like necrotizing bacteria, fester, breed and have offices. You've got to be real careful out there.

Finally, I'm compelled to forewarn you that lending \$300,000 to your kid may be one of the biggest mistakes you may make in life. When a person knows he is drowning he will promise to give you the sun, the moon and the stars to save him. And I'm going to suggest that shortly after you save your son there's a good chance he won't make those mortgage payments every month. I have seen these promises made and broken often.

Families are the worst relatives with whom to conduct business. So be prepared to make those mortgage payments from your personal pocket because in three to five months your boy's motivation won't be as strong as it is today.

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