

gage. But this option is rarely available to builders using conventional financing.

A Senate subcommittee tried to probe closing costs in 1956, but shelved the inquiry because they are so complex (News, Apr. '57).

Now the President's Consumer Advisory Council has recommended that his special assistant for consumer affairs, Mrs. Esther Peterson, ask all federal housing agencies to see what they can do to solve the problems—under present laws or by suggesting new legislation.

SAME ADVICE, VARIED CHARGES

The council resolution takes particular note of wide variations in closing costs for essentially the same services in federally financed home purchases.

FHA defines closing expenses as "incidental costs" including FHA examination fees, mortgagees' initial service charges, title search fees, deed and mortgage preparation fees, mortgage taxes and recording fees. Tax escrow and insurance premium deposits, also usually posted at closing, are not strictly closing costs, because they are prepayments on expenses the buyer must later meet.

Hearings on the Senate's ill-fated truth-in-lending bill documented the charges that worry the council. Items: attorney's fees ran from \$13 in Indianapolis to \$116 in Columbia, S.C.; title-search charges from \$3 in Grand Rapids to \$131 in Washington, D.C.; surveys cost from \$14 in Indianapolis to \$50 on Long Island. And total closing costs ranged from \$98 in Burlington, Vt., to \$657 in Grand Rapids.

FHA also told the Senate closing costs are rising faster than house prices. The 1953-to-1961 increase: from 1.7% to 2.0% of house value (or from \$174 to \$301 a house).

That money comes out of the buyer's pocket, after he has already stretched his finances to make the down payment. So, not surprisingly, more and more buyers are complaining more and more loudly.

Their cries have reached Dr. Richard L. D. Morse, who rallied the Advisory Council to action and drafted its resolution. Morse has headed the department of family economics at Kansas State University since 1955. His interest in closings quickened in 1960 when the Kansas attorney general bade him investigate a case of quadruple closing costs on a single building site. He found the land split into four quarters, each requiring a title search, appraisal fee and credit report.

COLLUSION?

"The Consumers Council is especially interested in cases where there is some feeling of collusion," Morse says. He names no names, but hints at fixed legal and title fees and search costs.

And, some critics argue, while many a builder protests that high closing costs are the work of title or mortgage companies and hence beyond his control, he often profits via an ownership in the same companies. Nor is he unwilling to cooperate with lawyers who insist on being present at closings, say the critics, even though they may do nothing more than collect a fee.

THE BUILDER'S SIDE

The other side is told by a Senate banking committee aide, John Lindley, who supplied data to support the truth-in-lending bill. He quotes a Virginia builder who paid a closing on buying his land and another to get a construction loan three months later. When he finally offered a house for sale, the buyer threw up his hands at the closing costs, result: the builder paid closing costs a third time in order to save his sale.

THE SHAPE OF REFORM

The Consumers Council wants a better explanation of what buyers pay different costs for the same service. Above all, it seeks some warning for the unwary buyer—this to protect him and the builder. Action may take these forms:

A call for investigations by the Justice Dept. and Federal Trade Commission to determine if legal, mortgage and title groups are fixing artificial fees for closing services.

A requirement that closing costs, like appraisal costs (News, May '63), be disclosed to FHA buyers several days before the closing. FHA has already been asked to consider adding a footnote showing closing costs to its estimate of value.