

“Snow Job” is a Hack Job

By Jim Luger, President
Century 21 Luger Realty

The March, 2006, issue of Money magazine published an article titled, “Snow Job,” which argued that home buying fees are unusually high in the Minneapolis – St. Paul area. The article gave two main reasons:

- Several Twin City real estate companies offer mortgage loan and title insurance services, and common ownership of those services discouraged competitive fees.
- Real estate commissions in the Twin Cities are inflated because Realtors boycott properties listed by discount brokers.

I had the dubious honor of being featured in this article, partly because the writer, Stephen Gandel had talked to a homebuyer who had used our services in August 2004, and partly because I was willing to speak several times with Gandel. I knew upfront the tone of his article would be negative, however. He came to the Twin Cities to prove certain presumptions about real estate services, and chose only the facts that supported those biases. **Here are some of the facts he chose to omit:**

1. The buyer, Lewis Leung, compared the rates and terms of other mortgage companies to ours. He initially chose an Internet lender, but that lender declined his loan two weeks before the closing. Leung said we offered the next best interest rate, and asked if we could process his loan application before the scheduled closing. Our loan originator said she could, and she did.

2. The article said that Leung agreed to an interest rate that should have been lower. But Gandel failed to mention that Leung insisted that we waive our origination fee. The loan amount cannot be increased to cover this cost, so Leung agreed to pay a slightly higher rate if we agreed to waive the fee. Gandel knew that, but failed to disclose it in his article

3. Gandel also wrote that Leung could have purchased title insurance elsewhere for less money. But Gandel failed to mention that the other company’s “exam fee” would have been added to their advertised premium, resulting in very little difference from our premium (which included the exam fee). I pointed this out to Gandel, but he failed to disclose it.

4. Gandel asserted that Old Republic (the underwriter) paid Reliance Title (our agency) a fee. This might seem like a minor point on the surface, but it is not. It is illegal for an underwriter to “kick back” fees to an agency for merely referring business—and Gandel knew that. I explained repeatedly to him that our agency charges the customer a premium for examining the title and issuing a policy, and then pays Old Republic to underwrite the coverage. Gandel ignored our actual business practice, apparently because it didn’t support his “referral fee” theme.

5. Gandel suggests in his article that Twin City agents boycott listings of discount brokers. He was unable to support this with any facts, so he used innuendos such as, “*Waiting for buyers at yet another empty open house [the seller] got the sense he was very much alone.*” Gandel knew, but failed to mention, that agents usually do not bring their buyers around to other agents’ open houses.

I had confronted Gandel about these errors and omissions before he submitted his article. He said he was going to run the story anyway, declaring “The laws are wrong.” I’m not sure which laws he meant, but unfortunately for the readers of Money magazine, he certainly got his story wrong.