



What to Expect With Closing Costs

When purchasing a home, not only do you have to come up with a down payment, you'll also have to pay the lender for closing costs. This is really a plethora of fees jumbled into one term. Lenders will usually give you a "Good Faith Estimate" of the closing costs when you consult them about a loan. They will not know what all the actual costs will be, as many involve third parties, so their estimate is their best guess based on their experiences with loan origination.

What are these fees? Below are just a few of the most common charges and what they mean.

Lender Fees

Points: This is the term for loan origination fees. A point equals one percent of the loan amount and goes to the lender.

Mortgage Broker Fees: Since the majority of loans are handled through brokers, many loans include a fee called the mortgage broker fee. It may include the points as well as Broker Processing fees.

Tax Service Fees: This is a service that keeps an eye on your property tax payments. This helps the lender make sure you are on track with your tax payments and safeguards their investment.

Credit Report: As a routine part of the application process, the lender will pull your credit report to determine how big of a risk you'll be as a borrower. This can cost up to \$60.

Document Preparation: You'll pay some relatively high fees for this because document preparation for loans before the computer age was long and very detail-oriented. Even though the process is much easier today, the fee remains high.

Wire Transfer Fees: Although not a large fee, many lenders include this. With the switch from check payments to wired payments from banks, lenders have taken advantage of the change to charge service fees for the process.

Third-Party Fees

Appraisal Fees: This is the payment that goes to the appraiser who inspects the house. Appraisal is a very important step in the mortgage application process as it lets lenders know that the house is worth what they are loaning you to buy it.

Flood Certification: Your lender must find out if your potential property is located in a federal flood zone. They must pay an outside party to certify this information.

Title Insurance: A title company will be involved to research the history of the property and then a title insurance policy will be drawn up to protect both lender and borrower against any future losses due to claims against the property or title.

This article has only listed a handful of the possible fees. Other fees you might pay at closing include lenders' inspection fees, underwriting fees, administration fees, attorney fees, and appraisal review fees. The best plan to avoid excessive closing costs is to shop around and



find out what different lenders will charge. Do your homework to save yourself some money for the new home!