



What to expect for closing costs

Closing on a property is a very challenging time for a would-be homeowner. Being informed, either through your mortgage broker, your real estate agent, or through self knowledge is the best thing you can be when going through this procedure.

A good real estate agent can help you tremendously. They should know the local market well enough to help you save money in whatever way they can. Since closing costs are handled differently in different areas, having a professional with experience in that area is your best bet. They can give you a better idea of what costs are customarily paid by the buyer, and which ones are paid by the seller.

The mortgage broker you deal with can make a big difference in your closing costs too. Have them show you several programs suited to your needs. There are lots of ways to structure closing costs based on your points and down payment.

After finding a property, you will want to get qualified by your mortgage broker. Your mortgage broker will send you a Good Faith Estimate within 3 days as required by law. A GFE is a list of your closing costs from your lender. There may be additional closing costs that the lender does not control, so always be prepared to pay for other items also. A good number to be prepared to pay would be to double the GFE amount.

Closing costs on average are from 3% to 5% of your loan amount, and the exact amount will be told to you the day before the closing. All closing costs are to be paid at the settlement of the mortgage loan.

There are two types of closing costs

- Non-recurring closing costs are the ones that you pay once and never have to pay again.
- Recurring closing costs you pay repeatedly over the course of your home ownership. These would be items like property taxes or homeowner insurance. Property taxes placed in escrow are one of the largest expenses at closing.

The following is an alphabetic listing of the items that may be on your GFE. Some items listed here may not be on your GFE.

Loan Origination Fee (1% of the amount borrowed)
Loan Discount fee
Loan Application fee
Points to be paid
Lender's attorney fees
Buyer's attorney fees
Appraisal fee
Credit Report
Lender's Inspection fee
Mortgage Broker commission or fee
Tax service fee
Processing fee
Underwriting fee
Wire transfer fee
Interest from the day of settlement to the date of the first mortgage payment
Private Mortgage Insurance (PMI)
Hazard Insurance premiums
Property taxes from the day of settlement to the end of the tax year
Settlement or closing/escrow fee
Notary fee
Title search & Title insurance to protect your lender
Title insurance to protect you
Recording fees
Tax stamps
Pest inspection

Your closing procedure will go smoothly when you are armed with the right information and guided by the right professionals. Good Luck & Happy Buying!