

Closing Costs

Closing costs or settlement charges are incurred when buying a home and financing the home's purchase. When you apply for your home loan, you will receive a Loan Estimate (LE) from your loan officer with settlement charges. Some are one-time fees, while others reoccur over the life of the loan.

Below is a list of typical closing costs or settlement charges you may incur. Depending on your region and lender's requirements, there may be additional charges.

Loan Origination Fee: This fee covers the lender's administrative costs. It is a one-time fee, often expressed as a percentage of the loan.

Lender Fees: Other lender fees may include an underwriting fee, a flood certification fee, and other miscellaneous fees that should be disclosed by your mortgage lender at loan application.

Loan Discount: This is a one-time charge, expressed as a percentage of the loan, and is an optional fee which is paid to get a loan interest rate lower than the market rate.

Appraisal Fee: This is a one-time fee that pays for a home appraisal or statement of property value, which is required by the lender. Appraisals are done by licensed professionals who are independent of the lender.

Credit Report Fee: This one-time fee covers the cost of the credit report that is run by an independent credit reporting agency. Sometimes, multiple reports are required for multiple buyers.

Title Insurance: When property is being transferred from a seller to a buyer, a title company will research and report on all current recorded liens, encumbrances and easements against the property. When the purchase of the property is closed, and the title company has recorded the necessary documents, the title company will then issue a title insurance policy that protects the buyer and the buyer's lender against loss due to any defects in the title. This is a one-time charge.

Miscellaneous Title Charges: The title company may charge fees for a title search, title examination, document preparation, notary fees, recording fees, and a settlement or closing fee. These are all one-time charges.

Prepaid Interest: This charge is the interest on your loan, prorated to the end of the month. The amount will depend on your loan amount, your interest rate and the time of month your loan closes. Because of the prepaid interest charge, your mortgage payments, due on the first of each month, will begin the second month after your close date.

Mortgage Insurance: Depending on the amount of your down payment, you may have to pay a monthly mortgage insurance premium. Mortgage insurance protects the lender against loss due to foreclosure. Note: FHA loans require a one-time up-front mortgage insurance premium in addition to the monthly fee.

Escrow Account: Your lender will have an escrow account set up with your loan, in which your property taxes and insurance will be held until they are due. Your monthly mortgage payment includes an amount for taxes and insurance, which is deposited in your escrow account. Also, at closing, an additional amount is collected to start this escrow account.

There's certainly a lot to know! Have additional questions? [Click here](#) and let us know how we can help!