



## What are closing costs?

### Find out what you might pay on closing day.

Whether buying or refinancing a home, you are likely to pay closing costs on the day you settle your mortgage. Homebuyers often pay between 2% and 5% of the house's purchase price in closing costs. Closing costs for refinancing your existing mortgage can be far less. If you already have a VA or FHA loan, you may be eligible for streamline refinancing that has less paperwork and fewer fees.

Here is a list of closing costs and lenders fees you may have to pay. These costs can be different when you are buying or refinancing your home and depend on your unique circumstances, including the state where your property is located since some states place restrictions on closing costs.

**Application fee.** This covers the cost of processing the loan request and could include the credit check and other administration fees.

**Appraisal fee.** This is paid to a third-party appraiser to determine the property value. A professional appraiser will come out to the home and evaluate its market value. This generally costs between \$300 and \$500 but it could be more depending upon the area and the complexity of the property.

**Attorney fee.** This is paid to the attorney to review the financial documents prepared. Not all states require an attorney.

**Credit report fee.** A charge you pay for pulling your credit report.

**Home inspection.** A professional inspector will come to the home and is tasked with uncovering problems, such as a leaky roof, mold or structural issues.

**Mortgage broker.** If you used a mortgage broker, there may be a fee you have to pay at closing.

**Origination fee.** A fee to process your loan paperwork, which is typically about 1% of the loan amount.

**Pest inspection.** Some states and loans may require a pest inspection before the mortgage is approved.



**Points.** If your interest rate was locked with points, you will have to pay that amount at closing. One point is equal to 1% of the loan. You can also choose to buy a lower rate by paying points with some mortgages.

**Pre-paid interest.** The interest due between your settlement date and your first monthly payment.

**Property insurance.** This is paid to insure the property. The insurance amount depends on your provider and the size of the home. Insurance costs could be added to escrow and collected each month as part of the monthly mortgage payment.

**Property taxes.** The tax amount would be prorated for the year. Like property insurance, this could also be included in the monthly mortgage payment.

**Recording fees.** Local governments typically charge a fee to record transactions in public records.

**Title search.** This fee covers the search for any liens on the property and to help ensure the person selling is indeed the owner.

**Upfront Mortgage Insurance Premium.** When you close on an FHA loan, you will be required to pay an upfront premium on your mortgage insurance.

**VA Funding Fee.** If you get a VA loan, you will need to pay the VA funding fee, although it can be rolled into your loan. This fee is used to support the government VA loan program.

Make sure you understand all the fees and closing costs and check they are correct before you settle the mortgage. Would you like to talk to Freedom Mortgage about buying or refinancing a home? Please visit our [Get Started page](#) or call 877-220-5533.



## **NOTES & REMINDERS**