

Understanding FHA closing costs

What's included in the closing costs of FHA loans?

Mortgages insured by the Federal Housing Administration (also called "FHA loans") help make homeownership affordable for people with moderate incomes.

Like most mortgages, [FHA loans](#) usually come with closing costs paid by the borrower. Many of these costs are similar to the closing costs for other types of mortgages. There is a closing cost that is unique to FHA loans, however. Let's look at that cost first.

Upfront Mortgage Insurance Premiums (UFMIP)

One of the closing costs that comes with an FHA loan is the Upfront Mortgage Insurance Premium (or "UFMIP"). This premium is equal to 1.75% of the base loan amount. For example, if you are borrowing \$200,000 with an FHA loan to finance the purchase of a house, you will need to pay an Upfront Mortgage Insurance Premium of \$3,500.

Everyone who gets an FHA loan to buy a home needs to pay UFMIP. Only FHA loans have Upfront Mortgage Insurance Premiums. VA loans have a similar closing cost called a funding fee. Conventional loans do not usually have any upfront mortgage insurance costs.

Other FHA loan closing costs.

UFMIP is not the only closing cost that comes with an FHA loan. Federal Housing Administration mortgages can also have many of the same closing costs as other loans. These include ...

- **Discount points**

Discount points are a way of buying a lower interest rate on your mortgage. One discount point is equal to 1% of the loan amount. Some mortgages come with discount points you need to pay and some don't.

- **Appraisal fees and title searches**

A home appraisal is an estimate of the value of the house, performed by a professional who charges a fee for this service. A title search makes sure there are no liens against the house and confirms the seller is the legal owner of the property. Title searches are also done by a professional who charges a fee for the work. These fees can be included in your closing costs.



- **Application, origination, and attorney fees**

Getting an FHA loan can include application and origination fees charged by the lender, and potentially fees for an attorney to review the mortgage documents.

- **Homeowners insurance and property taxes**

You may be required to pay your property taxes and homeowners insurance premiums at closing.

Can FHA closing costs be included in the loan?

Many borrowers can add their closing costs to their base loan amount and include these costs in their mortgage. If you are borrowing \$200,000 to buy a home and your closing costs are \$5,000, you may be able to get a mortgage for \$205,000 so you don't have to pay your closing costs out of pocket. Keep in mind, however, that increasing the amount of your mortgage will increase the total amount of money you pay in interest over the life of the loan. Sellers can also pay some closing costs of FHA loans for buyers, if they choose.

Closing costs on FHA Streamline Refinances

You also have to pay closing costs when you refinance an FHA loan. An [FHA Streamline Refinance](#) features less paperwork and faster closings than other types of refinances. To qualify for streamline refinancing, you need to replace your current FHA mortgage with a new FHA mortgage.

When you refinance your FHA loan using the streamline process, you have to pay a new Upfront Mortgage Insurance Premium equal to 1.75% of the unpaid loan balance. If your current FHA loan is less than 3 years old, you may qualify for a partial refund of your previous UFMIP. You can add the cost of the new Upfront Mortgage Insurance Premium to your new loan.

You may have to pay title fees, recording fees, taxes, and other closing costs as part of a streamline refinance too. Unlike UFMIP, you cannot add these closing costs to your new loan balance. You have to pay them at closing.

FHA Loans and FHA Streamline Refinancing with Freedom Mortgage

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