

List of Closing Costs and Fees

If you've ever gone through the [mortgage](#) process, you know about [closing costs](#). Most likely you were given a list of costs associated with the mortgage and told to either bring the money to closing or roll the costs into your mortgage. But, if this is your first mortgage, you're still getting used to the concept of paying more money, beyond your down payment. Usually, closing costs are paid by the person purchasing the home, but with some mortgages (VA for example) the seller can pay closing costs. A little-known fact is that a big part of costs and fees actually go to third parties who process the mortgage, as well as local governments as taxes. The money doesn't go to the mortgage company. Most people take closing costs and fees for granted and just pay what they are told. They don't question the mortgage or title company about the costs associated with a mortgage closing. That's too bad, because they should.

As an informed mortgage customer, you should make your [mortgage banker](#) walk you through each cost, and explain in detail what you are paying. The bottom line is that you don't want to be surprised at the last moment. Imagine getting a call from your mortgage banker the day of your closing with a message that your closing costs are \$1,200 more than you thought. And the only explanation is that the title company made a mistake. Chances are you may have to reschedule your closing to get the money together for the difference, or have your mortgage adjusted to have the amount rolled in.

To avoid a situation like this, it's a good idea to know exactly what the costs and fees are, how they are calculated, and why you (or the seller) have to pay them. Here's a breakdown of the most common closing costs and fees with a rough estimate of average cost:

- **Appraisal** (up to \$450) - This is paid to the appraisal company to confirm the fair market value of the home.
- **Credit Report** (up to \$30) - A Tri-merge credit report is pulled to get your credit history and score. You cannot supply your consumer pulled report and the scores pulled from the internet from any place other than myfico.com are not real scores nor are they accurate.
- **Closing Fee or Escrow Fee** (generally calculated a \$2.00 per thousand of purchase price plus \$250) - This is paid to the title company, escrow company or attorney for conducting the closing. The title company or escrow oversees the closing as an independent party in your home purchase. Some states require a real estate attorney be present at every closing
- **Title Company Title Search or Exam Fee** (varies greatly) - This fee is paid to the title company for doing a thorough search of the property's records. The title company researches the deed to your new home, ensuring that no one else has a claim to the property.
- **Survey Fee** (up to \$400) - This fee goes to a survey company to verify all property lines and things like shared fences on the property. This is not required in all states.
- **Flood Determination or Life of Loan Coverage** (up to \$20) - This is paid to a third party to determine if the property is located in a flood zone. If the property is found to be located within a flood zone, you will need to buy flood insurance. The insurance, of course, is paid separately.
- **Courier Fee** (up to \$30) - This covers the cost of transporting documents to complete the loan transaction as quickly as possible.
- **Lender's Policy Title Insurance** (Calculated from the purchase price off a rate table. Varies by company) - This is insurance to assure the lender that you own the home and the lender's mortgage is a valid lien. Similar to the title search, but sometimes a separate line item.
- **Owner's Policy Title Insurance** (Calculated from the purchase price off a rate table. Varies by company) - This is an insurance policy protecting you in the event someone challenges your ownership of the home.

- **Natural Hazards Disclosure Report** - Required by law in the state of California for the seller to give the buyer. Reports run between \$90 to \$150. May be required by other states
- **Homeowners' Insurance** (\$300 and up) - This covers possible damages to your home. Your first year's insurance is often paid at closing.
- **Buyer's Attorney Fee** (not required in all states - \$400 and up)
- **Lender's Attorney Fee** (not required in all states - \$150 and up)
- **Escrow Deposit for Property Taxes & Mortgage Insurance** (varies widely) - Often you are asked to put down two months of property tax and mortgage insurance payments at closing.
- **Transfer Taxes** (varies widely by state & municipality) - This is the tax paid when the title passes from seller to buyer.
- **Recording Fees** (varies widely depending on municipality) - A fee charged by your local recording office, usually city or county, for the recording of public land records.
- **Processing Fee** (up to \$1,000) - This goes to your lender. It reimburses the cost to process the information on your loan application.
- **Underwriting Fee** (up to \$795) - This also goes to your lender, covering the cost of researching whether or not to approve you for the loan.
- **Loan Discount Points** (often zero to two percent of loan amount) - "Points" are prepaid interest. One point is one percent of your loan amount. This is a lump sum payment that lowers your monthly payment for the life of your loan.
- **Pre-Paid Interest** (varies depending on loan amount, interest rate and time of month you close on your loan) - This is money you pay at closing in order to get the interest paid up through the first of the month.
- **Property Tax** (usually 6 months of county property tax)
- **Wood Destroying Pest Inspection and Allocation of Costs** - If required by the lender or buyer, the inspection generally runs up to \$125.00. Repairs can get expensive if evidence of termites, dryrot or other wood damage is found. example: Fumigation of a typical 1500 square foot house could run around \$2,000.
- **Home Owners Association Transfer Fees** - The Seller will pay for this transfer which will show that the dues are paid current, what the dues are, a copy of the association financial statements, minutes and notices. The buyer should review these documents to determine if the Association has enough reserves in place to avert future special assessments, check to see if there are special assessments, legal action, or any other items that might be of concern. Also included will be Association by-laws, rules and regulations and CC & Rs. The fee for the transfer varies per association ,but generally around \$200-\$300.

Last, but not least, you probably will get your own home inspection that usually costs around \$225 - \$450 to verify the condition of a property and to check for home repairs that may be needed before closing.

Closing costs and fees are part of a mortgage, and knowing what they are and how much they should be is a good idea. This will put you in a position to challenge a cost or fee that seems exorbitant. Even if everything is correct, you have the right to ask, and your mortgage company has the duty to explain -- in detail -- each and every closing cost and fee.