

UNDERSTANDING THE { MORTGAGE PROCESS }

Closing costs

One of the things that surprise many first-time home buyers is closing costs, which are services and costs associated with the loan process that are paid at closing. They may also be referred to as settlement costs.

In general, closing costs will be about 2 to 6 percent of the purchase price of the home. Some items considered closing costs, like home inspections and appraisals, may require payment at the time the service is provided.

Closing costs usually include the following items:

1

Title Fees

Title fees cover a title search fee and title insurance fee, to guarantee that the property has a clear title with no liens or issues and that the title can be transferred from the seller to the buyer. Title fees also include recording the deed at the courthouse and notary fees.

2

Attorney Fees

Attorney fees include the attorney's time and expertise to review closing documents and oversee the closing process.

3

Pre-Paid and Escrow

This includes pro-rated property taxes and homeowner insurance premiums to insure there are no gaps in coverage. This may also include pro-rated mortgage interest to cover the gap between when you close and when you make your first mortgage payment, as well as an initial deposit of funds (escrow) for any tax or insurance bills that will need to be paid by your lender soon after closing.

4

Mortgage Insurance

Certain loan programs (usually those that allow a down payment of less than 20 percent) require private mortgage insurance (PMI). This provides protection for the lender in the event you would foreclose on the property.

5

Lender Fees

These are fees paid to your lender and include loan origination fees, application fee, processing fee, credit report fee and any discount points you want to pay to get a lower interest rate.

6

Property-Related Fees

Appraisal and inspection fees are included in this category, and are generally paid directly outside of closing. You may also need a survey to confirm property lines, and specialized inspections (termite or structural) depending on property and loan type.

7

Other

In some cases, closing costs may include a transfer tax (foreclosure, short sale or new construction purchase), additional appraisals (home to be used as a rental property), final inspection (new construction) and specialized underwriting review (condominium purchase).

CONTACT YOUR ALLEN TATE MORTGAGE CONSULTANT TODAY!

Your Allen Tate Mortgage Consultant can provide you with a reasonable estimate of closing costs based on your type of property, loan, closing date and other factors.