

## Prepare For Closing Costs

Buying a home is expensive and it isn't just the mortgage and down payment that a buyer needs to be prepared for.

Closing costs typically make up 2% to 6% of a home's purchase price with the average, according to CoreLogic's ClosingCorp. They also report that from 2020 to 2021, closing costs increased by 11.2%.

Most closing costs are paid by the buyer. Even if the seller or lender offers credits, they do so by raising the price of the home or the loan and the costs are just paid for over a greater amount of time.

### TYPES OF CLOSING COSTS

LendingTree defines mortgage closing costs as "fees paid directly to the lender and their business partners when you take out a home loan. They are the price tag for borrowing money." Many of these costs are spelled out in the loan estimate document.

Common types of closing costs include:

**Loan costs:** These are the fees that lenders charge for such things as origination,



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### REAL ESTATE 101

#### Finding Closing Cost Assistance

According to Investopedia, you can find special programs that may cover some or all of certain closing costs in certain circumstances, particularly for first-time buyers, low-income buyers, veterans, and active-duty military personnel. Some large banks will even waive certain costs for loyal customers. Learn more about closing costs and how you can budget and negotiate closing costs at [bit.ly/3BAQlZZ](https://bit.ly/3BAQlZZ).

application and administrative fees, mortgage points or discounts, and underwriting fees.

**Third-party fees determined by lender:** These fees include money paid for appraisals, credit reports, flood determination and monitoring fees, tax monitor-

ing fee, mortgage insurance premiums and VA funding fees.

**Third-party fees you can arrange:** Some closing costs allow you to shop around and compare prices. These include pest inspection, property survey, title insurance, title settlement fees and

title searches.

**Non-mortgage closing costs:** These type of closing costs include taxes and government fees, pre-paid fees such as property taxes or prepaid interest on a loan, initial escrow payment at closing and title insurance.

### REDUCING CLOSING COSTS

Like everything else about home buying, closing costs can be negotiated. For first-time home buyers it is possible to get governmental assistance for some of the fees.

A LendingTree study found that half of mortgage seekers who shopped around for a mortgage saved money. Take the time to research mortgages and where will give you the best deal.

Sometimes you can get a low-closing-cost or no-cost mortgage. In this case, the lender gives you credit toward closing cost. However, that comes at a higher interest rate, which means you pay more over the entire term of the loan. It is also possible, though usually more common with refinancing, to roll the costs into the loan. As with low-closing cost or no-cost mortgages, this results in a higher monthly payment and the loan costs more over time.

You can also ask the seller to pay some of your closing costs. This is typically done by them giving you a credit. Different loan programs — conventional, FHA and VA — have different restrictions on what percentage of sales a seller can pay. The higher your down payment on a conventional loan, the more a seller can cover of closing costs.



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### HOMEWISSE GLOSSARY

**VA funding fee:** A funding fee is added to most VA loan amounts, depending on the amount of down payment that the veteran makes. In most cases the fee is 2% of the loan amount. SOURCE: MLS.com

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