

A COMPLETE GUIDE TO
CLOSING COSTS



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What are closing costs?

Closing costs are a necessary component of obtaining a mortgage. These fees cover necessary expenses like processing your mortgage, obtaining homeowners insurance, and paying property taxes. The seller and buyer will both be responsible for various closing costs.

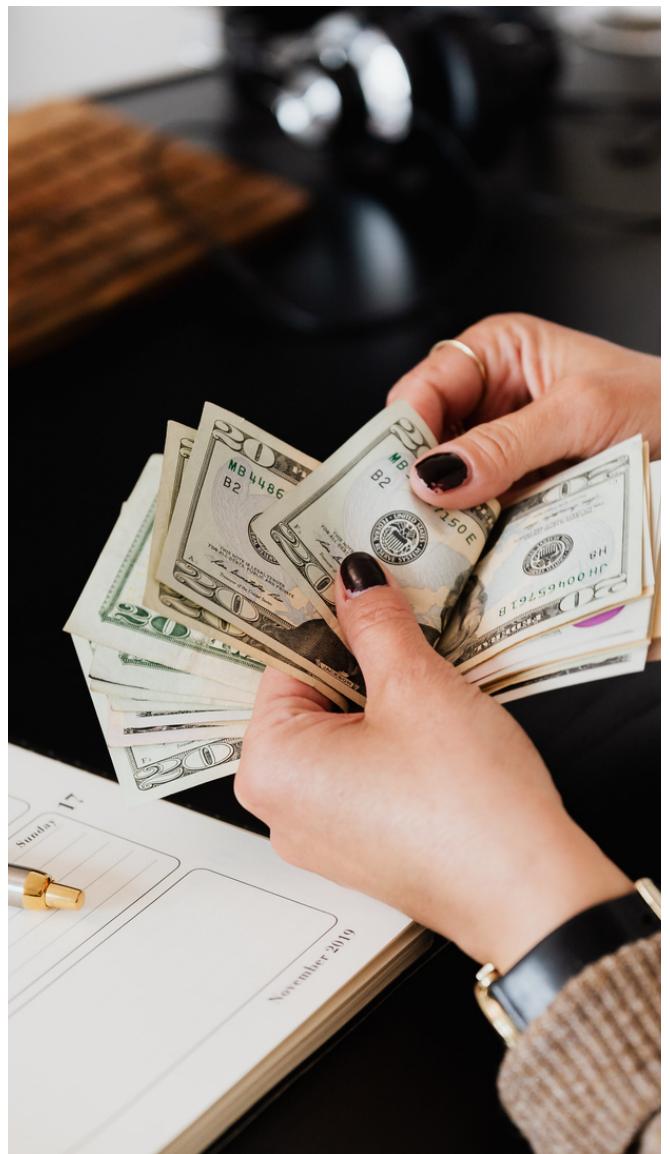
How much will I pay in closing costs?

Closing costs, which typically average 1-5% of the loan amount, vary depending on the loan amount, mortgage type, and area of the country in which you're buying or refinancing.

Lenders are legally obliged to provide you with an estimate of the closing costs associated with your loan within three business days after receiving your application for a mortgage. This key document outlines your estimated closing costs and other loan details.

When do I pay closing costs?

You pay closing costs at the end of the loan process — when the transaction closes — not upfront or out-of-pocket. The escrow company calculates all of the closing costs and adds that to your down payment amount, then subtracts any lender credits or seller-paid costs.



What are some of the fees that may be included in the closing costs?

Origination fee

0-1% of loan amount

An origination fee is a fee that a lender charges to account for specific processing expenses related to providing a loan. Origination fees can vary from one lender to another, and they sometimes carry more specific rules than other fees and costs in the mortgage process.

Discount fee

0-2% or more of loan amount

Discount points (or discount fees) are payments made to your lender to lower the interest rate on a loan. The number of points paid is based on the interest rate, with one point equaling 1 percent. This is also known as "buying down the rate."

Processing fee

\$300-\$900

Loan processors help gather the documentation required to close your loan. Loan officers deal mostly with customers, but loan processors handle the paperwork. Some lenders do not charge a processing fee, so you should keep that in mind when comparing lenders.

Underwriting fee

\$300-\$900

Approval of your loan is contingent upon the underwriter's evaluation of your credit and financial history. The underwriting fee covers the cost of staff time for this analysis.

Lock-in fee

\$100-\$300

You may wait several weeks for the approval of your mortgage application, and mortgage interest rates change every day. Some companies offer to lock in a rate while your application is processed, for a set fee.

Appraisal

\$350-\$500

Appraisers are certified professionals who estimate the value of a home. Your lender uses this value when evaluating your loan qualification.

Title search and insurance

\$300-\$1,500+

A title company is hired to search for liens against a property and verify that the property is "free and clear." It also issues insurance in case any issues arise.