

## Closing Costs Checklist

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### Closing Cost Descriptions

We recommend that you carefully compare closing costs between lenders before selecting a loan. This task is complicated by the fact that different lenders and brokers use different names for the same item. All lenders and brokers are required to provide you with a Good Faith Estimate detailing the services you may be required to get and pay for in connection with your loan.

This Good Faith Estimate will give you a way to compare loans and see what your closing costs would be. Below you will find a list of coded names that describe the different fees, which may be associated with the services previously mentioned. These codes and names correspond to those found on the HUD-1 Settlement Statement.

#### Broker Fees

- **700 - Sales/Broker's Commission:** If you use a real estate agent or broker to buy a house, the seller (not you) of the house will usually pay a fee to the real estate agent/broker. This commission is usually a percentage of the sales price.

#### Lender Fees

- **801 - Loan Origination Fee:** A fee to cover the lender's costs for obtaining financing and administrative costs, most often expressed as a percentage of the loan amount (1% = 1 point). Can be a flat fee and/or paid by sellers and third parties.
- **802 - Loan Discount Fee Discount Points:** Often called "points", is a one-time charge to you from lender to lower the interest rate on your loan. Generally, the more points you pay, the lower your rate. Each point is 1% of the loan amount. For example, if you have a loan amount of \$100,000, one point would cost you \$1000. Sometimes you will see offers with negative points. Negative points refer to money paid to you that can be used to offset your other closing costs. You will usually see a higher interest rate with negative points.
- **803 - Appraisal Fee:** The appraisal fee covers the cost of evaluating your home to estimate the fair market value. The appraised value of your home is used to calculate LTV. See LTV for more information.
- **804 - Credit Report Fee:** This fee covers the cost of obtaining a credit report, which shows how you have handled other credit transactions. The lender uses this report in conjunction with information you submitted with your Q-form regarding your income, outstanding bills, and income to determine whether you are an acceptable credit risk, how much the lender can loan you and at what interest rate.
- **805 - Lender Inspection Fee:** This covers inspections by the lender or outside inspector of your house/property. Most often associated with new construction.
- **806 - Mortgage Insurance Application Fee:** You may be charged this fee to process an application for Mortgage Insurance (MI) if needed.
- **807 - Assumption Fee:** The assumption fee is a charge to you, if you take over the existing mortgage on the house you are purchasing. For example, if you are buying an existing house from someone you may have the option to take over the mortgage that the seller is paying.
- **808 - Mortgage Broker Fee:** If you use a broker to get a loan, any fees charged by the broker are listed here.
- **809 - Underwriting Fee:** A cost to cover the final analysis and approval of the mortgage; often the lender's cost to the investor who will subsequently purchase the loan.
- **810 - Tax Service Fee:** A fee paid to set up a service which identifies the payment due date of local taxes for the servicer of the loan.
- **813 - Processing Fee:** A fee charged by the lender to cover costs associated with the processing and closing of a mortgage loan.
- **814 - Application Fee:** A fee to reimburse the lender for internal costs associated with initiating the application process.
- **822 - Flood Certification Fee:** Since your house is collateral for your loan, the lender wants to be sure the property is not in a flood zone. This fee covers obtaining a report from the Federal Emergency Management Agency (FEMA) that indicates whether or not your property is in a flood zone. If your home is located in a flood zone, you will need to get flood insurance. Most homeowner insurance policies do not cover flood damage. This only covers the report and not the insurance if needed.

#### Lender Pre-paid Items

- **901 - Interest:** Lenders require you to pay the interest due on your mortgage from the close date to the first day of the following month. The interest due is calculated using the loan's interest rate, the loan amount and the number of days

until your first payment. For example, if you close on the 11th of March, you will pay 21 days interest (3/11-3/31) assuming your first payment is May 1st. Mortgage interest is always collected in arrears therefore you will pay the April interest in the May payment using the example above.

- **902 - Mortgage Insurance:** Premium Lenders usually require Private mortgage insurance (PMI) when your LTV (loan amount divided by property value) is greater than 80%. The insurance protects the lender in case of loan default.
- **903 - Hazard Insurance:** Premium Since the property is collateral for the loan, you will be required to insure your house. At closing, you must pay the first year's premium or prove that you already have coverage (if refinancing). If you are purchasing a condominium, your association policy will already cover your unit and you will not need to make this payment. Homeowner's insurance covers you against damage from fire, wind, and other natural hazards. Flood damage is usually not covered by a Homeowner's Insurance Policy.

### Escrow Account Deposits

An escrow account is an account used when the lender will be paying your homeowner's insurance and property taxes on your behalf. You prepay the amounts and the lender pays the costs as they come due. You will probably have to pay an initial amount to start the reserve account.

- **1001 - Hazard Insurance:** This fee represents the amount the lender withholds to ensure you pay your homeowner's insurance on time. Typically, the lender will require you to pay two months of premiums at closing, and then the remaining payments are included in your monthly payments.
- **1002 - Mortgage Insurance:** If you need private mortgage insurance (PMI), you may be required to prepay those premiums. Remember to reference canceling mortgage insurance to see when you can stop paying it.
- **1003 - City Property Tax:** If your property is in a jurisdiction where city taxes apply, you will be required to pay a portion of the taxes at closing.
- **1004 - County Property Tax:** The amount of property tax you owe can vary dramatically by county and the date you purchase your home.

### Title Charges

- **1101 - Settlement or Closing Fee:** This fee pays for the services of the escrow holder or settlement service that handles all the financial transfers and payments associated with the closing process. The title company sets these fees.
- **1102-1104 - Title Fee:** Title fees may include title search, title examination and title insurance.
- **1105 - Document Abstract Preparation Fee:** Lenders or title companies may charge a fee to cover the costs of preparing the final legal documents required for closing.
- **1106 - Notary Fee:** This fee covers the cost of a person licensed as a notary public to swear to the fact that the individuals named in the documents are the actual persons that signed them.
- **1107 - Attorney Fee:** You may be charged a fee to pay for legal services of a settlement service provider at closing. The lawyer will usually oversee the signing of the documents.
- **1108 - Title Insurance:** The total cost of your and lender's title insurance.
- **1109 - Title Insurance Lender's Coverage:** Protects the lender against loss due to problems or defects in connection with the title. The face amount of coverage is usually written for the amount of the mortgage loan and covers losses due to defects for problems not identified by title search and examination.
- **1110 - Owner's Title Insurance:** This fee covers the part of the title insurance policy that protects the owner against loss due to disputes over ownership of the property. The owner's policy is not necessary for a refinance transaction as the existing policy remains in full force and effect, if obtained when you purchased your house, for as long as the owner owns the property.
- **1112 - Carrier Fee:** A fee paid to an overnight delivery service for delivery of mortgage documentation.

### Government Fees

- **1201 - Recording Fee:** After you close, your mortgage is recorded at the county office to make record of your mortgage.
- **1202 - City/County Tax/ Stamps:** You may be charged tax on your mortgage by the state the property resides in.
- **1203 - State Tax/ Stamps:** You may also be charged tax on your mortgage by the state the property resides in.

### Additional Settlement Charges

- **1301 - Survey Fee:** Your lender may require a surveyor to conduct a survey of your property. A survey determines the exact location of the home and the lot line, as well as, easements and rights of way. This also protects you to ensure you have record of your property boundaries and size.
- **1302 - Pest Inspection Fee:** This fee covers the cost of inspections for termites and other pest infestation.
- **1303 -1305 - Lead-Based Paint Inspection Fee:** Houses built prior to 1978 may be required to have an inspection for lead-based paint hazards.

This information is adapted from "U.S. HUD" .