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## SETTLEMENT COSTS

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Closing costs or settlement costs are items that are payable by you (the buyer) and by the seller in connection with the closing of your loan. Your closing costs can be paid in part or completely by the seller (lenders allow up to a certain percentage), paying your costs out of pocket at closing or some costs can be rolled into the mortgage, depending on your loan program. This is something you should discuss with us and/or your realtor if you are considering having the seller pay some of your costs.

Below you will find the some items that will appear on your Good Faith Estimate and **HUD-1 Settlement Statement**. The Good Faith Estimate is just as it implies - an *estimate*. Costs will vary depending on your lender and the state you are purchasing your home in. This should help to define what those costs mean and approximately how much you can expect to pay. Federal requirements state that shortly after applying for a loan, a lender must provide you with a Truth in Lending Statement that discloses the actual Annual Percentage Rate. To understand this statement and the A.P.R., review the **Truth in Lending** information page.

**Appraisal:** An appraisal is what determines the actual value of your home or the home you are considering purchasing. This is one of your most important costs as is the only true measure to establish the actual value of your new home and protects you from paying more than the property is actually worth! Most of the time during a "Purchase Transaction", the Seller will be responsible for paying for the appraisal at the time of closing. During a "Refinance Transaction", the fee is included in your final closing costs or you will be required to pay the appraiser at the door. As of May 1, 2009, all appraisals will be ordered by the lender not the broker..

**Average cost \$300-\$450 paid to Appraiser upfront at loan application**

**Credit Report:** A factual credit report or RMCR is very different from the credit reports that you would receive if you were to order your own copy from one of the 3 credit bureaus. This report actually verifies the balances on your accounts as well as your employment history. In many instances this is where incorrect items such as collections or charge offs are corrected. An experienced Loan Officer will be able to assist you in making sure this report is completely accurate. Most of the time, the loan process will only require an "in file" report saving you a great deal on closing costs

**Average cost \$25 paid to Broker**

**Processing/Commitment Fee:** This is a fee charged by the mortgage company to help cover the costs of processing a loan (phone, faxes, salaries etc.) There are many hours of work that go into processing your mortgage loan and this fee simply helps cover those costs.

**Average cost \$300**

**Loan Origination Fee (POINTS):** One point equals one percent of your loan amount. It covers the lender's administrative costs in processing the loan. Often expressed as a percentage of the loan, the fee will vary among lenders. Generally, the buyer pays the fee, unless otherwise negotiated for a slightly higher rate.

**Average cost 1% of the Loan Amount paid to Broker**

**Loan Discount:** Often called points or discount points. A loan discount is a one-time charge imposed by the lender or broker to lower the rate at which the lender or broker would otherwise offer the loan to you. Each point is equal to one percent of the mortgage loan. You can choose to pay points to reduce your long-term interest rate. Paying more up front reduces your monthly mortgage payment and the interest over the life of the loan. You can estimate that for each discount point you pay, you will lower the interest rate on your mortgage loan by about 0.25%.

**Not a Normal Fee with PSd, Ltd. – Customer Request**

**Document Preparation:** This is a charge by the lender to prepare the legal documents necessary for your closing.

**Average cost \$225**

**Underwriting Fee:** This is a charge by the lender to underwrite your loan package. The Underwriter is the individual who ultimately makes the decision to approve or deny your loan.

**Average cost \$225 paid to Lender at closing**

**Mortgage Title Insurance:** This is insurance you provide to your lender to insure clear and unobstructed title to your home. The seller will provide this same insurance to you.

**This fee is based on each individual loan**

**Recording Fee:** This is a fee to record the note and mortgage in the public records at the courthouse.

**Average cost \$75 paid to Title at closing**

**State and County Taxes:** These charges vary from location to location but are generally used to fund local housing grants.

**Survey:** A lender may require a property survey be completed. This is for your protection and will give you a diagram of your property.

**Average cost \$285 or per contract request, paid to Title at closing**

**Tax Service Fee:** This is a one time monitoring fee by the lender to insure that your property taxes and homeowners insurance are being properly collected and paid on your behalf in a timely fashion.

**Average cost \$90 paid to Lender at closing**

**Courier Fee:** This charge helps cover the expensive costs of overnight shipping of your file to the lender and submitting any subsequent conditions to help clear your loan to close.

**Average cost \$25 per package to and from lender and title**

**Flood Certification:** Most lenders require his certification to determine whether or not your property is located in a flood zone.

**Average cost \$26 paid to Lender at closing**

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