

## CLOSING COSTS

Closing costs are estimated at the beginning of loan processing with a "Good Faith Estimate" of settlement charges. When borrowers sign their closing documents, a final statement showing all fees will be provided which is called a "HUD-1 settlement statement". Both the "Good Faith Estimate" and the "HUD-1 settlement statement" are broken down into numbered categories of fees as follows.

- 800 Items Payable in Connection with Loan:** These are the fees that lenders charge to process, approve and make the mortgage loan.
- 801 Loan Origination:** This fee is usually known as a loan origination fee but sometimes is called a "point" or "points." 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.
- 802 Loan Discount:** Also 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 amount. For example, if a lender charges two points on a \$80,000 loan this amounts to a charge of \$1,600.
- 803 Appraisal Fee:** This charge pays for an appraisal report made by an appraiser. The final cost is affected by the type of property, location, and forms required by your loan approval.
- 804 Credit Report Fee:** This fee covers the cost of a credit report, which shows your credit history. The lender uses the information in a credit report to help decide whether or not to approve your loan and how much money to lend you.
- 805 Lender's Inspection Fee:** This charge covers inspections, often of newly constructed housing, made by employees of your lender or by an outside inspector. (Pest or other inspections made by companies other than the lender are discussed in line 1302.)
- 806 Mortgage Insurance Application Fee:** This fee covers the processing of an application for mortgage insurance.
- 807 Assumption Fee:** This is a fee which is charged when a buyer "assumes" or takes over the duty to pay the seller's existing mortgage loan.

- 808 Loan Processing Fee:** This is the transaction fee charged by the lender to cover the administrative labor costs.
- 809 Underwriting Fee:** This is the transaction fee charged by the lender to cover loan approval costs. Some lenders may use other terminology like “Administrative Fee.”
- 810 Document Preparation:** This is the fee charged by the lender to prepare closing documents.
- 812 Tax Service Fee:** This charge pays for future reporting of property taxes to your loan servicer.
- 814 Flood Verification Fee:** This charge pays for research to check if the subject property is located in a Flood Zone as determined by Federal Emergency Management Agency (FEMA).
- 815 Courier Fee:** This charge pays for and overnight or express delivery charges.
- 900 Items Required by Lender to Be Paid in Advance:** You may be required to prepay certain items at the time of settlement, such as accrued interest, mortgage insurance premiums and hazard insurance premiums.
- 901 Interest:** Lenders usually require borrowers to pay the interest that accrues from the date of settlement to the first monthly payment.
- 902 Mortgage Insurance Premium:** The lender may require you to pay your first year's mortgage insurance premium or a lump sum premium that covers the life of the loan, in advance, at the settlement.
- 903 Hazard Insurance Premium:** Hazard insurance protects you and the lender against loss due to fire, windstorm, and natural hazards. Lenders often require the borrower to bring to the settlement a paid-up first year's policy or to pay for the first year's premium at settlement.
- 904 Flood Insurance:** If the lender requires flood insurance, it is usually listed here.
- 1000-1008 Escrow Account Deposits:** These lines identify the payment of taxes and/or insurance and other items that must be made at settlement to set up an escrow account. The lender is not allowed to collect more than a certain amount. The individual item deposits may overstate the amount that can be collected. The

aggregate adjustment makes the correction in the amount on line 1008. It will be zero or a negative amount.

- 1100 Title Charges:** Title charges may cover a variety of services performed by title companies and others. Your particular settlement may not include all of the items below or may include others not listed.
- 1101 Settlement or Closing Fee:** This fee is paid to the settlement agent or escrow holder. Responsibility for payment of this fee should be negotiated between the seller and the buyer.
- 1102- Abstract of Title Search, Title Examination, Title Insurance**  
**1104 Binder:** The charges on these lines cover the costs of the title search and examination.
- 1105 Document Preparation:** This is a separate fee that some lenders or title companies charge to cover their costs of preparation of final legal papers, such as a mortgage, deed of trust, note or deed.
- 1106 Notary Fee:** This fee is charged for the cost of having a person who is licensed as a notary public swear to the fact that the persons named in the documents did, in fact, sign them.
- 1107 Attorney's Fees:** You may be required to pay for legal services provided to the lender, such as an examination of the title binder. Occasionally, the seller will agree in the agreement of sale to pay part of this fee. The cost of your attorney and/or the seller's attorney may also appear here. If an attorney's involvement is required by the lender, the fee will appear on this part of the form, or on lines 1111, 1112 or 1113.
- 1108 Title Insurance:** The total cost of owner's and lender's title insurance is shown here.
- 1109 Lender's Title Insurance:** The cost of the lender's policy is shown here.
- 1110 Owner's (Buyer's) Title Insurance:** The cost of the owner's policy is shown here.
- 1200 Government Recording and Transfer Charges:** These fees may be paid by you or by the seller, depending upon your agreement of sale with the seller. The buyer usually pays the fees for legally recording the new deed and mortgage (line 1201). Transfer taxes, which in some localities are collected whenever property changes hands or a mortgage loan is made can be quite large and are set by state and/or local governments. City, county

and/or state tax stamps may have to be purchased as well (lines 1202 and 1203).

**1300 Additional Settlement Charges:**

**1301 Survey:** The lender may require that a surveyor conduct a property survey. This is a protection to the buyer as well. Usually the buyer pays the surveyor's fee, but sometimes this may be paid by the seller.

**1302 Pest and Other Inspections:** This fee is to cover inspections for termites or other pest infestation of your home.

**1303-1305 Lead-Based Paint Inspections:** This fee is to cover inspections or evaluations for lead-based paint hazard risk assessments and may be on any blank line in the 1300 series.

**1400 Total Settlement Charges:** The sum of all fees in the borrower's column entitled "Paid from Borrower's Funds at Settlement" is placed here. This figure is then transferred to line 103 of Section J, "Settlement charges to borrower" in the Summary of Borrower's Transaction on page 1 of the HUD-1 Settlement Statement and added to the purchase price. The sum of all of the settlement fees paid by the seller is transferred to line 502 of Section K, Summary of Seller's Transaction on page 1 of the HUD-1 Settlement Statement.

**Paid Outside Of Closing ("POC"):** Some fees may be listed on the HUD-1 to the left of the borrower's column and marked "P.O.C." Fees such as those for credit reports and appraisals are usually paid by the borrower before closing/settlement. They are additional costs to you. Other fees such as those paid by the lender to a mortgage broker or other settlement service providers may be paid after closing/settlement. These fees are usually included in the interest rate or other settlement charge. They are not an additional cost to you. These types of fees will not be added into the total on Line 1400.

Fee estimates on the Good Faith Estimate are based on Land/Home Financial Services, Inc. guidelines. Fees are subject to change and may vary from lender to lender.