

Mortgage Closing Costs

When obtaining real estate there are several extra charges which are involved on top of the purchase price of the home. These extra expenses are generally called as closing costs. As a general rule, closing costs are the responsibility of the buyer and should be paid before closing a real estate contract. However, the seller could choose to pay for some of the closing costs in order to make the sale move faster or to make the property appear more attractive.

Things that are might be included into the closing costs, comprise: title searches, loan application fees, recording fees for recording the deed, appraisal fees, credit check expenses, homeowner's insurance and mortgage insurance. They represent payments which accomplish the loan conditions which were set by the lender upon securing the mortgage.

One more common expense is points. Purchasing points can be to your advantage though because the more points you have the less your interest rate is. Some of the other costs which may be included in the closing costs are fees for surveying the property, attorney's fees, sales tax, property tax and origination fees.

Application fee is separate from the original fees. The lending institution issues these fees in order to offset the administrative fees they incur. Original fees are automatically deducted from the loan before it is disbursed to the borrower. Normally, origination fees vary from 1 percent to 3 percent of the total mortgage. Closing fees represent around 6% of the mortgage amount. When the loan is financed by the government, the amount is given to them. With other types of loans, the administrator of the loan collects the fees.

Closing costs add up really fast and are not just limited to the abovementioned. It is wise to ask for an estimation of the total expense of the home and to ensure that all items and costs have been fully disclosed prior to closing the contract. If the closing costs are extremely high, you have three options; You could try to negotiate with your lender, look for a different lender, or try to negotiate with the seller to see if they would pay for some of the fees.