

Understanding Closing Costs

Every home loan has associated closing costs associated with home financing and the overall transfer of ownership. These are not part of the mortgage but rather cover items such as title search, attorney's fees, origination fees, discount points, prepayment of taxes and insurance (escrow) and real estate transfer taxes. Your closing costs may range from 3-10% of your purchase amount. The below explanations should help you better understand what fees you may be responsible for.

TITLE INSURANCE — This is based on the sales price of the property. It is the fee for an insurance policy that protects the new owner and the lender in case a question of ownership ever arises. It also guarantees the title company made a thorough search on your behalf.

ESCROW — There are two types of escrow accounts; one is charged by the third party to the transaction (PTC) for processing costs and liability assumed. This may also be called a settlement fee. The second type of escrow is an account that may be used by a lender to hold funds used to pay fees that are not billed monthly, which may include items like hazard insurance, property tax, and mortgage insurance.

HOME WARRANTY — An optional service that covers repairs or replaces defective items in the home.

HOME INSPECTION — This is the fee involved for a professional inspection of the house that would identify any problems associated with the home.

SURVEY FEE — A review of your property to establish official boundary lines is conducted by a licensed surveyor and is sometimes required by the lender in order to secure your mortgage.

NOTARY FEE — A licensed notary will certify the identity of the individuals signing the loan and other documents.

RECORD RELEASE/RECONVEYANCE/RECORDING FEE — These fees are charged by the applicable government agency (county or city) to record necessary documents.

TRANSFER TAX — This is charged by the applicable government agency (county and sometimes city) to transfer ownership of property.

LENDER FEES/CHARGES — There may be a fee associated with processing your loan through the lender's system. These costs are disclosed on the Good Faith Estimate.

DISCOUNT POINTS — Sometimes you can pay points at closing to lower your overall interest rate and mortgage payment.

ORIGINATION FEE — The fee you pay for the lender's services in administering your loan. Varies with the lender and type of loan.

MORTGAGE INTEREST — The interest on the loan amount from the date of closing to the last day of the month.

DEMAND FEE/ WIRE TRANSFER FEE/DOCUMENT PREPARATION FEE/HOA TRANSFER FEE

While Placer Title Company does not charge these fees, some escrow companies will.