



Have You Put Aside Enough for Closing Costs?

Once you're ready to finalize your home purchase, it's important to make sure you've also saved enough for closing costs.

Freddie Mac defines closing costs as follows:

“Closing costs, also called settlement fees, will need to be paid when you obtain a mortgage. These are fees charged by people representing your purchase, including your lender, real estate agent, and other third parties involved in the transaction.

Closing costs are typically between 2 & 5% of your purchase price.”

We've heard from many first-time homebuyers that they wish someone had let them know closing costs could be so high. If you think about it, with a low down payment program, your closing costs could equal the amount you saved for your down payment.

Here is a list of just some of the fees that may be included in your closing costs, depending on where the home you wish to purchase is located:

- Government recording costs
- Appraisal fees
- Credit report fees
- Lender origination fees
- Title services (insurance, search fees)
- Tax service fees
- Survey fees
- Attorney fees
- Underwriting fees

Is There Any Way to Avoid Paying Closing Costs?

Work with your lender and real estate agent to see if there are ways to decrease or defer your closing costs. There are no-closing cost mortgages available that feature a higher interest rate or wrap closing costs into the total cost of the mortgage (meaning you'll end up paying interest on your closing costs). Your lender can help you find the option that best fits your needs.

Homebuyers can also negotiate with the seller over who pays these fees. Sometimes the seller will agree to assume the buyer's closing costs in order to get the deal finalized.

Bottom Line

Speak with your lender and agent early and often to determine how much you'll be responsible for at closing. Finding out you need to come up with thousands of dollars right before closing is not a surprise anyone wants to experience.