

Buying a home is often the largest financial transaction in a person's lifetime. Even if you have just started looking you probably have some idea for what the property will cost, but what about the fees associated with buying a house?

**To help cut through the confusion here is a breakdown of some of those costs:**

- **Earnest Money** - Part of your offer to purchase, this shows a seller that you are serious about buying the property. Once under contract if you back out of the purchase for a reason that is not covered as a contingency in the purchase contract, you generally forfeit your earnest money. At closing this counts towards your down payment, and you pay the balance.
- **Loan Origination Fee** - A fee paid to the lender or broker for originating your mortgage loan. Paid at closing.
- **Loan Discount Fee** - Sometimes also called "points", this is a fee you would pay if you would like to receive a lower rate. Paid at closing.
- **Appraisal Fee** - Paid to the appraiser for inspecting the property, determining its current market value, and preparing a report for your lender to be used as part of your loan application. Generally paid at the time the appraisal is ordered or when the appraiser goes out to the home.
- **Credit Report Fee** - The cost of pulling your credit report, generally from all three credit bureaus, to be used as part of your mortgage application. Can be paid at closing or upfront as part of an application fee.
- **Tax Service Fee** - Used to pay for a search for delinquent property taxes to ensure none are owed when you take ownership.
- **Flood Certification Fee** - Covers the cost of assessing whether your property is in a flood zone. This is required because of a Federal Law mandating flood insurance for any homes located in a flood zone.
- **Prepaid Interest** - interest that will accrue between the closing date and your first payment date.
- **Homeowner's Insurance**- first year's insurance premium which is generally required to make your coverage effective.
- **Reserves for Escrow Account** - If you choose to escrow items such as taxes and insurance, meaning paying for them in equal monthly installments as part of your mortgage payment and then having your mortgage servicer pay the invoices when due, you will be asked to start your escrow account with a few months' payment for each. This is paid to the lender at closing.
- **Title Fees** - Paid to a title company to search for unpaid liens on the property, issue an insurance policy to protect against any debts the buyer did not incur in relation to the property, to record the new deed in the county records, and to perform the actual loan

closing. In some states an attorney is required to be involved in the closing as well and will charge a fee for his or her services. These fees are paid at closing.

- **Government Recording and Transfer Fees** - Costs charged by city, county, or state government relating to recording the new deed, and taxes charged when ownership of a property changes.
- **Additional Fees that might be charged** - Depending on your situation there may be additional fees related to your mortgage transaction such as a pest inspection, survey of the property, and final inspection by an appraiser. This is not a complete list, but hopefully is a helpful explanation of most of the mortgage costs you are likely to encounter.