CLOSING COSTS

Below is an overview of the types of closing costs you may incur on your loan. Some are one-time fees while others recur over the life of the loan. When you apply for your loan, you will receive a Good Faith Estimate of Settlement Charges and a booklet explaining these costs in detail.

- **Loan Origination Fee** – This fee covers the Lender's administrative costs in processing the loan. It is a one time fee and is generally expressed as a percentage of the loan amount.
- **Loan Discount** – Often called "Points", a loan discount is a one-time charge used to adjust the yield on the loan to what market conditions demand. One point is equal to 1% of the loan amount.
- **Appraisal Fee** – This is a one-time fee that pays for an "appraisal", a statement of property value required on most loans. The appraisal is made by an independent appraiser.
- **Credit Report Fee** – This one-time fee covers the cost of the credit report which is processed by an independent credit reporting agency.
- **Title Insurance Fees** – There are two title policies, a buyer's title policy (which protects the new homeowner) and a Lender's title policy (which protects the Lender against loss due to a defect in the title). These are both one-time fees.
- **Miscellaneous Title Charges** – The title company may charge fees for a title search, title examination, document preparation, notary fees, recording fees and a settlement of closing fee. These are all one-time charges.
- **Document Preparation Fee** – There may be a separate, one-time fee that covers preparation of the final legal papers, including the note and deed of trust.
- **Prepaid Interest** – Depending on the day of the month your loan closes, this charge may vary from a full month interest to just a few days interest. If your loan closes at the beginning of the month, you will probably have to pay the maximum amount. If your loan closes near the end of the month, you will only have to pay a few days interest.
- **Private Mortgage Insurance (PMI) Premium** – Depending on the amount of your down-payment, you may be required to pay a fee for mortgage insurance (which protects the lender against loss due to foreclosure). You may also be required to put a certain amount for PMI into a special reserve account (called an impound account) held by the Lender.
- **Taxes and Hazard Insurance** – Based on the month you close, property taxes will be prorated between you and the seller. You will also need to pay an entire year's hazard insurance premium up front (Homeowner's insurance). In addition, you may be required to put a certain amount for taxes and insurance into a special reserve account (impound account) held by the Lender.

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