

Knowing All the Costs



Before buying a new home, it's a good idea to be aware of all the additional costs that come with buying a new home. On top of the deposit and the actual price of the home, there are extra fees associated with buying a home that can add up to a pretty substantial amount.

When you apply for a mortgage, your lender will provide you with a G.F.E, or Good Faith Estimate. The Good Faith Estimate is a document that details the added expenses you can expect to pay when buy a house. Much of the time, there is a substantial difference between the estimated amount the lender gives you and actual amount of the fees. Typically, the fees that come with closing a sale range between 3 to 5% of your total loan amount. For example, let's say your amount is 5% of a \$400,000 loan. That means that the amount you will have to pay for closing fees is \$20,000.

If you are able, try to get G.F.Es from a couple of different lenders. This will allow you to compare costs, and choose the lender that gives you the best over-all amount. In some cases, a lender that you are comfortable with will match a lower rate given by another lender, just to keep your business.

Here is a list of the additional fees that may be factored into your G.F.E:

- The loan origination fee (1% of the total amount borrowed)
- The loan discount fee
- The loan application fee (between \$75 and \$400)
- Points (between \$100-\$300/\$10,000, to buy down the interest rate)
- The lender's attorney fees
- The buyer's attorney fees
- The appraisal fee
- The credit report
- The lender's inspection fee
- The mortgage broker's fee

- The underwriting fee
- The wire transfer fee
- The interest that accrues between the settlement date to the first mortgage payment
- The hazard insurance
- The property taxes owed between the settlement date and the end of the tax year.
- The settlement or escrow fee
- The document prep fee
- The notary fee
- The title search and insurance to protect the lender
- The title insurance to protect the buyer
- The pest inspection fees

On top of the cost of buying a new home, a substantial amount of money is normally added on to the final price in the form of closing fees. In buying a home, it's a good idea to consider these fees when you are forming your financial plan.