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HOME LOANS INC.



UNDERSTANDING

MORTGAGE FEES



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Getting a mortgage involves more than just repaying the loan amount and interest. There are several fees and costs that you'll encounter along the way. Understanding these fees will help you budget more accurately and avoid surprises during the home buying process.

1. Loan Origination Fee:

- ✓ This fee is charged by the lender for processing and creating your mortgage. It typically ranges from 0.5% to 1% of the loan amount.
- ✓ It covers tasks like credit checks, underwriting, and the overall loan processing.

3. Credit Report Fee:

- ✓ Lenders will obtain your credit report to assess your creditworthiness. The fee, usually around \$30 to \$50, covers the cost of retrieving your credit history from credit bureaus.

2. Appraisal Fee:

- ✓ An appraisal is required to determine the fair market value of the home. This fee, often between \$300 and \$600, pays for a professional appraisal.
- ✓ The appraisal protects the lender by ensuring the property is worth the amount of money you intend to borrow.

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4. Title Fees:

- ✓ **Title Search Fee:** This fee, typically a few hundred dollars, pays for a background check on the title of the property to ensure there are no outstanding liens or claims.
- ✓ **Title Insurance:** Protects you and the lender in case there are issues with the title in the future. The cost varies but is typically a percentage of the property's value.

6. Escrow Deposit:

- ✓ Many lenders require you to set up an escrow account. This may involve depositing two months of property tax and mortgage insurance payments at closing.

7. Inspection Fees:

- ✓ While not a lender fee, home inspections are an important part of the buying process and can cost several hundred dollars.

5. Survey Fee:

- ✓ If a property survey is needed, this fee covers the cost of verifying property lines and geographical features of the property. Surveys typically cost a few hundred dollars.



8. Points (Discount Points):

- ✓ Points are optional fees paid upfront to reduce your interest rate. One point is typically equal to 1% of the mortgage amount.
- ✓ Purchasing points can save you money over the life of the loan if you plan to stay in the home for a long time.

9. Prepaid Interest:

- ✓ Some lenders require you to pay the interest that will accrue between closing and your first mortgage payment.

10. Closing Costs:

- ✓ Closing costs are a collection of many of the above fees and usually total 2% to 5% of the loan amount. They are paid at the time of closing the mortgage.

CONCLUSION

Preparing for homeownership is a journey that requires financial readiness, market knowledge, and a clear understanding of your long-term needs. By taking these steps, you can approach the process of buying your first home with confidence and clarity.

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