



Settlement Charges

There are so many different charges involved in buying a home, it is important to know what to expect at the settlement. Your lender is required to give you a Good Faith Estimate (GFE) of your settlement Charges within three business days of your loan application. Once you get it, review the charges below to avoid any surprises when you sit down to close on your loan.

There are three basic categories of settlement charges:

- **Origination Charge.** This includes all lender fees involved in obtaining and processing your loan. **Origination Charges cannot increase from GFE to final closing.** This is now shown as a single charge covering the following:
 - **Application Fee** – This charge covers the initial costs of processing your loan application and obtaining your credit report.
 - **Origination Fee** - This is a charge for your lender's work in evaluating and preparing your mortgage loan.
 - **Processing Fee** - This charge is associated with the cost of assembling your loan applications, ordering the necessary paperwork, scheduling closing, and meeting all lender guidelines for loan approval.
 - **Underwriting Fee** - This fee is charged by the underwriter for examining loan documents and issuing a loan approval once all requirements are met.
 - **Discount Points/Credit** – This charge is based on the provided interest rate. The lower the rate, the higher the charge.
 - **Mortgage Insurance** – A lender may require this type of insurance for buyers who make a down payment of less than 20 percent of the value of the house. The policy covers the lender's risk in the event the buyer fails to make the loan payments. Premiums are typically paid annually from an escrow or reserve account, or in a lump sum at closing.

- **Fees from Third Party Providers Chosen by Your Lender. These fees can only increase up to 10% from GFE to closing.**
 - **Appraisal Fee** – Your lender will need an opinion from an independent appraiser of the market value of the home you wish to purchase.
 - **Credit Report Fee** - This fee covers the cost of obtaining a credit report used in approving a loan.
 - **Flood Certification Fee** - All loans require a Flood Determination of whether or not Flood Insurance is required for your property.
 - **Survey** – This fee goes to a surveying firm who will verify that your lot has not been encroached upon by any structures since the last survey conducted on the property and to ensure that the home and other structures and legally where the seller says they are.

- **Fees from Third Party Providers NOT Chosen by Your Lender.** These fees can increase from GFE to closing, and you can shop around for the provider.
 - **Title/Escrow Company Fees** - Your lending institution is not likely to give you a loan on a house unless you can prove that the seller owns the property you want to buy. This is where title search and title insurance fees come into play. A title agent will verify that the seller is, indeed, the owner of the property and issue a title insurance policy to guard the lender against any errors that could have occurred in the searching process. The cost of the policy is usually based on the loan amount. There may also be attorney, escrow, wire, email fees and other charges involved in the settlement process.
 - **Homeowner's Insurance** – Insurance that protects property against loss caused by fire, some natural causes, vandalism, etc., depending on the terms of the policy. Also includes coverage such as personal liability and theft away from home. Your lender will expect you to have a policy in effect by closing.
 - **Daily Interest** – This charge covers interest from the day of closing until the first day of the next month.
 - **Government Recording/Transfer Taxes** - These fees are collected by local and state governments and are usually based on the amount of the mortgage and/or purchase price of the home.
 - **Initial Escrow Deposit** – Your lender will establish a reserve account to pay future property taxes and homeowner's insurance.

