

Make Sure You Save Money on Closing Costs!

The study and understanding of closing costs are not as important as simply comparing closing costs from the mortgage and settlement company you select. The costs from multiple companies are hard to compare because both the name of the fees and the number of fees vary. The simple recommendation is to compare the totals quoted and compare them on each loan you are interested in obtaining. It is not unusual for the closing costs to vary from company to company by \$1,000 to \$3,000. Investigation is worth your while.

Make sure at the time you are quoted a mortgage you receive a Good Faith Estimate. When you actually apply for a mortgage loan the law requires you to receive a Good Faith Estimate but by this time it is too late. Request the Good Faith Estimate at the time you get your quote. Keep in mind that this is an estimate and none of the numbers on the sheet are fixed and may change by the time you close on the loan. Only when you close on the loan are the closing costs fixed. Some bankers, brokers, and real estate agents do a good job in making an honest estimate of the closing cost in the Good Faith Estimate but be aware others do not. Investigate the validity of the numbers on the estimate. If you are unsure Steel Blue 1 will be happy to refer you to a settlement company that can guide you in establishing the validity of your estimate. Make sure you are paying closing costs that are reasonable and customary!

Some closing fees on each loan quoted should have little variation. These items are guided by local law and custom. Items in this category include the amount of taxes to be escrowed, tax proration (paying the seller for taxes they have already paid), tax transfer stamps, and in some cases the title insurance policy. If these items vary from quotation to quotation you should ask questions immediately.

The fees charged by the banks, brokers, lenders, and settlement companies can vary widely. In addition the fees disclosed to you will vary. For example, banks do not have to tell you how much money they will make on the loan whereas mortgage brokers do have to declare their income. In 2001, Bankrate.com made a survey of 103 lenders and brokers in 10 states. Based on a \$125,000 loan here is how the various closing costs varied:

	Highest	Lowest	Average
Lender and Broker Fees			
Administration Fee	\$725.00	\$45.00	\$413.46
Application Fee	\$410.00	\$100.00	\$266.41
Commitment Fee	\$450.00	\$100.00	\$268.00
Document Preparation Fee	\$350.00	\$50.00	\$162.22
Funding Fee	\$300.00	\$40.00	\$125.57
Mortgage Broker Fee	\$895.00	\$100.00	\$344.17
Processing Fee	\$850.00	\$99.00	\$302.71
Tax Service	\$110.00	\$10.00	\$72.09
Underwriting Fee	\$595.00	\$25.00	\$279.93
Wire Transfer Fee	\$335.00	\$10.00	\$55.27
Third Party Fees			
Appraisal	\$375.00	\$175.00	\$269.31
Credit Report	\$65.00	\$8.50	\$36.53



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	Highest	Lowest	Average
Flood Certification	\$65.00	\$8.75	\$22.21
Pest & Other Inspection	\$400.00	\$30.00	\$86.07
Postage & Courier Fee	\$90.00	\$20.00	\$44.73
Survey	\$525.00	\$25.00	\$226.59
Title Insurance	\$1,157.00	\$161.00	\$460.23
Title Work (Search)	\$595.00	\$50.00	\$220.37
Recording Fee	\$250.00	\$30.00	\$72.27

The point of the above table is to illustrate the wide range in fees you could be charged not the correct charge. When comparing the Good Faith Estimate from multiple mortgage quotations don't focus on the validity of each fee you see on your Good Faith Estimate. Focus on three things.

- First, are costs involving taxes and title insurance the same (or at least very close to the same)?
- Second does it appear like something is missing? Remember you are looking at an estimate and it is not unusual for the person preparing the estimate to forget something (or worse yet intentionally leave a cost off the list to make their quotation look better).
- Third what is the total cost at the bottom of the page? Every dollar you save in closing costs is a dollar you could put towards the mortgage or use for another purpose.

At this point it is up to you to decide what trade offs to make in selecting a mortgage. A lower interest rate with higher closing costs could easily be the right selection. This requires a financial analysis to decide. If you need some assistance at this point give Steel Blue 1 a call.

Make sure you get a good faith estimate, compare the numbers, and save money.



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