

Mortgage Financing

A *necessary* step in the purchase of your home is a *no obligation* meeting with one or more lenders before looking at properties. This meeting will help determine the loan amount you can qualify for, the range of properties to fit your budget, and an estimate of all costs involved in both formal loan application and the final closing. It is also an opportunity to discuss and compare a wide variety of loan programs. The type and amount of the loan to be applied for must accompany a purchase offer, this is called your **pre-qualification letter**.

Closing Costs

Closing costs are usually less than 2.5% of the loan amount for government-backed loans.

Conventional loan closing costs can be estimated using 1.5% of the loan amount plus the front end fees (including loan origination fee). These can vary widely depending on the lender loan discount fee (points) being charged. A “point” equals 4% of the *loan amount*. Your lender will provide a good-faith estimate of these costs before loan closing.

In estimating closing costs, the following should be included:

- Appraisal Fee (normally paid at loan application)
- Credit Report Fee (normally paid at loan application)
- Loan Origination Fee
- Loan Discount Fee
- Interest per Diem Adjustment
- Mortgagee's Title Insurance Fee
- Homeowners Insurance Premium/Escrow
- Survey
- Recording Fees
- Documentary Fee
- Tax Certificate
- Tax Escrow
- Flood Insurance (if applicable)
- Loan Closing Fees
- Lender Funding Fee
- Inspection Cost (typically paid separate from closing)