

CLOSING COST DEFINITIONS

APPRAISAL FEE: Cost for lender's professional evaluation of the property's market value based on comparable sales, improvements on the property and location. (Fee usually set by the Appraiser)

ASSUMPTION TRANSFER FEE: Fee assessed by the lender for buyer to assume present loan, if applicable.

CREDIT REPORT: A lender report of your credit history.

DISCOUNT POINTS: Points lender may charge to increase the investor's yield. May be paid by either buyer or seller. The number of discount points depends on the rate quoted and the current market rates. One "point" is usually 1% of the loan amount.

ESCROW FEE: Title company's service fee for acting as an escrow agent to carry out contract instructions, obtaining execution, recording of necessary documents, disbursing sale proceeds, usually split between buyer and seller per the contract.

FILING FEES/RECORDING FEES: Fees for recording documents in public records; fee is determined by the applicable county based on the number of pages filed per document.

HAZARD INSURANCE: Fire and extended coverage casualty insurance protects property and contents in case of loss; typically required by lender for at least the loan amount.

INSPECTIONS: An examination of the property for various reasons such as termite inspections, mechanical inspections and roof inspections. Parties may also require follow up inspections after required repairs are completed.

INTEREST: Prepaid interest on the buyer's loan for the remainder of the month in which closing occurs.

LOAN APPLICATION FEE: Fee paid to the lender at time of application.

MISCELLANEOUS LENDER FEES: May include fees for underwriting, processing, tax service fee, warehousing, etc. Varies with each Lender. Check with Lender for disclosure and explanation.

MORTGAGEE'S TITLE POLICY: Policy insuring lender of validity and priority of its lien.

ORIGINATION FEE: Lender may charge purchaser a fee to originate a new loan.

OWNERS TITLE POLICY: Policy that indemnifies the buyer against losses for covered defects in title.

PREPAYMENT PENALTY: A fee charged for early payoff of the Seller's existing mortgage loan. If the penalty applies, it should be stated in the existing mortgage instruments.

PMI PREMIUM/MIP PREMIUM: (PMI – private mortgage insurance – conventional loans; MIP – mortgage insurance protection – FHA loans) Insures lender against loss in the event of default by borrower. Often required by lender if first loan exceeds 80% loan to value ratio.

PRORATED TAXES: Contract terms dictate, but taxes are usually prorated between Seller and Buyer at closing. Figures are usually based on previous year's taxes. Any shortages or overages due at the end of the existing year are between Buyer and Seller per the contract.

REALTOR FEE: An amount paid to the brokerage firm representing the consumer (Buyer or Seller) for real estate services agreed upon in the property listing agreement, buyer representation agreement, or by contract.

RESTRICTIONS: Recorded documents that restrict and limit the use of the property.

SURVEY: A statement (drawing) showing the corners, distances, and directions of the boundaries of a tract of land along with easements, encroachments, etc., and the location of all improvements located on the land as may be required in the contract.

TAX SEARCH CERTIFICATES: Certificate obtained to determine any unpaid property taxes or assessments that may constitute liens against the property.



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