

MORTGAGE FEES

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It costs money to get a mortgage. There are fees, fees and more fees. It's important to know what the fees are and what you're paying for. The bank is required to tell you about these charges. Insist on that so there are no surprises.

Good Faith Estimate

"When you speak to a lender, the first thing you should do is ask for a Good Faith Estimate," says Kenneth Totten, Vice President and Chief Lending Officer of [Metuchen Savings Bank](#). A Good Faith Estimate lists all of the fees. Peter Lucia, a loan officer with [Mortgage Master](#) in Tarrytown, NY, says, "It's important to know what these fees are going to cost you."

Pre-Qualification

The first fee is generally for pre-qualification, and that should include a credit check. This clears the way by essentially pre-approving you to buy a home. You'll learn exactly how much a bank is willing to lend you based on your income and your credit history. The Credit Smart video and accompanying PDF fully explain how your credit history affects your ability to borrow.

Application Fees

Once you're pre-approved and actually apply for a mortgage, you'll pay an application fee. Application fees vary from \$65 to \$640 dollars depending upon the bank and where you live, according to the [Federal Reserve Bank of New York](#).

Mortgage Broker's Fee

If you use a mortgage broker to pre-qualify you and help find a bank to lend you money, you'll pay a broker's fee of up to 3 percent of the mortgage.

Although the buyer usually pays the broker's fee, sometimes the lender will pick up the cost. But if the bank pays the fee the mortgage broker is required to disclose the source.

Loan Origination Fee

Once you're pre-approved and choose a property, the lender can charge a loan origination fee to process and prepare the mortgage. The cost is generally \$2,000 to \$3,000.

Appraisal Fee

Before the bank approves the mortgage, it will hire an appraiser to see if the property is worth the sale price. "The appraiser will set up an appointment with you or the homeowner to do an inside inspection of the home," says Kenneth Totten of Metuchen Savings Bank. The appraiser will compare the physical aspects and the price of the home that you chose to others that sold recently in the neighborhood. The borrower generally pays the appraisal fee of \$300 to \$1,000. Mortgage broker Robert Roth suggests you might work out a deal so that the broker picks up the cost: "A broker might do it as an incentive, as an inducement to get a customer."

Attorney and Notary Fees

You'll pay the bank's attorney typically \$500 to \$1,000, notary fees of about \$250, and a document preparation fee. That's what the bank charges to process the documents required.

Title Search

You'll also pay about \$700 to \$900 for a title search. This is extremely important Metuchen Savings Bank's Totten explains, "A title company is going to be doing research on the property to make sure that there is not a claim in the future," A claim might include a lien on the property by a plumber, a roofer, or anyone to whom the previous homeowner, or prior owners, owed money. If there's a question about the title the bank may require you to purchase title insurance. That will protect you against any claims in the future.

Engineering and Inspections

Banks often require an engineering inspection, and termite inspection. These are essential investigations to undertake before you buy a home.

“Do not buy without an engineer or an expert who can tell you about the systems of the house. How well it is built and what problems you are going to have when you step in,” advises attorney Adam Leitman Bailey, author of [*Finding the Uncommon Deal*](#).

Property Survey, Water Tests, Flood Hazard Inspections

Some jurisdictions require a property survey, water tests and flood hazard inspections. The fees for all of these services usually range from \$300 to \$500 per expert. It's money well spent because you learn exactly what you are getting into.

Points

A bank may ask you to pay points. “A point is an interest fee that you pay up front instead of paying it for the life of the mortgage,” says Metuchen Savings Bank's Totten.

Generally a point is 1 percent of the amount you borrow. If you borrow \$200,000, a point amounts to \$2,000. The bank may charge points if your credit score is low.

Paying points can also give you a better deal on an interest rate. Totten says, “If interest rates were at 5 percent, and you had your heart set on playing 4¾ percent, you are going to be paying one point ahead of time for the right to pay less for the next 30 years.”

Your Attorney

While your fees include the bank's attorney, it's smart to hire your own lawyer to review the papers and represent you at the closing. That can cost another \$500 to \$1,000. Choose the attorney carefully. Leitman Bailey says, "Ask people who they used as their attorney and why. Ask deeper questions. Why did they like them? Why didn't they like them?"

Disclosure Required

Remember federal law requires banks and brokers to disclose all fees upfront. Make sure that they do, and make sure you understand what you're paying.

