What Are Closing Costs?

MONUMENT MORTGAGE CO. since 1989

Base Closing Costs – Closing Costs are comprised of the following: Appraisal Fee, Credit Report Fee, Underwriting Fee, Flood Insurance Certificate, Tax Service Fee, Attorney Fee, Lender's Title Insurance Fee, and Recording Fees. These fees can vary depending on loan amount, lender, and the closing attorney you choose.

Escrow Account – Escrow accounts are set up to make payments on your behalf for real estate taxes and homeowner's insurance. To make payments, escrow funds are collected as part of your monthly mortgage payment. This ensures that your bills are paid in full and on time, eliminating the need for you to budget for these payments separately. At the closing, an escrow account will be set up to ensure there are enough funds in reserve to pay the initial bills when they are due. Escrow accounts consist of **property taxes** and **homeowner's insurance**.

- Property Taxes: The amount of property taxes collected at closing varies based on when the property tax bill is due in your town. Typically, 4-6 months of taxes are collected at the time of closing.
- Homeowners Insurance: Homeowners Insurance protects a homeowner against loss from fire and other hazards that may impair the value of the home. Homeowners insurance is required on every loan. Before or at time of closing, you must pay the premium for the first year up front. In addition, you will be required to escrow an additional 2 months if you will be maintaining an escrow account.

Pre-Paid Interest – Pre-Paid Interest is the interim interest that accrues from the day of closing to the end of the month. Once the pre-paid interest is satisfied, your first mortgage payment will be due. For example, if you close on June 15th, the pre-paid interest charges accrue from June 15th through June 30th. Your first mortgage payment would then be due on August 1st.

Owner's Title Insurance – Owner's Title Insurance is a one-time cost. It indemnifies against losses from undiscovered title defects. It is OPTIONAL, but 95% of borrowers choose to purchase it.

Buyer Closing Cost Credit – A closing cost credit is the credit a borrower can receive when choosing a rate. Borrowers can use this money toward all allowable closing costs. This enables the buyers to bring less money to closing. The credit is a percentage of the loan amount and can change daily with rates.

Buyer Discount Points – When discount points are paid, the lender collects a one-time fee at closing in exchange for a lower mortgage rate to be honored for the life of the loan. The lender considers this payment to be "prepaid mortgage interest." The higher the number of discount points, the lower your rate will be.

Tax Stamps – Depending on the state you are purchasing in, you may need to pay tax stamps at the time of closing. In New Hampshire and Maine, the seller and the borrower both pay half of the total cost. In Massachusetts, the seller typically pays all of the tax stamps. ***However***, in all states, when a property is held by a bank or organization in foreclosure and that entity is the seller, ***the borrower may need to pay the tax stamps normally paid by the seller***.

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