

HOW WILL I KNOW WHAT FEES AND CLOSING COSTS WILL BE CHARGED?

A mortgage lender is required by RESPA* to provide a **Good Faith Estimate** of settlement service charges that a home buyer will likely incur at the time of closing.

The listing of reserve deposits and prepaid hazard insurance are not required on a Good Faith Estimate so it is important to keep these amounts in mind prior to settlement.

At the closing of a home purchase, you will be asked to sign a **Final Settlement Statement**, also known as a HUD-1, which will list all the closing costs and fees charged to you as the buyer.

WHAT FEES CAN THE SELLER PAY?

All parties may negotiate who pays which fees. A seller may offer to pay a portion of or all of the closing fees for the buyer. There are certain closing costs and fees that are customary for a buyer or seller to pay. For example, on a VA Loan it is customary for the seller to pay for a termite inspection.

**RESPA or Real Estate Settlement Procedures Act of 1974 is a Federal Statute which protects consumers in a real estate transaction.*

OBTAINING FINANCIAL ASSISTANCE

Some home buyers may qualify for down payment assistance programs that are offered through the city, county, or a charitable organization. These programs may offer assistance with closing costs. Contact your mortgage lender or the VA Regional Loan Center for a list of VA-approved programs available in your area.

ADDITIONAL CLOSING COSTS AND FEES

This pamphlet is not intended to be an all inclusive list of fees and charges on every loan, but rather a guide to the major costs of obtaining a home loan.

With the exception of the VA Funding Fee, all closing costs must be paid at closing and may not be financed into your loan.

Interest Rate Reduction Refinancing Loans (IRRRLs), are another exception. All closing fees on an IRRRL may be rolled into your new loan.

If you have any questions concerning fees and charges on a VA loan, contact the VA Regional Loan Center.



CLOSING COSTS

Common Fees & Charges for VA Guaranteed Home Loan Purchases



Department of Veterans Affairs
VA Regional Loan Center
3333 North Central Avenue
Phoenix, AZ 85012

RLC Website
www.vba.va.gov/ro/phoenixlgy/index.htm

Toll-free number
1-888-869-0194

Monday through Friday
7:30 a.m. to 4:00 p.m. MST

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ALLOWABLE CLOSING COSTS & FEES FOR THE VETERAN HOME BUYER

1. LOAN ORIGATION FEE

This fee is charged by mortgage lenders at closing to cover administrative costs for processing your loan. This fee is usually 1% of your loan amount. For example, if your loan is \$150,000 the origination fee will be \$1,500.

The lender may charge this flat fee or itemize the following fees not to exceed 1%:

- Application and Processing Fees
- Document Preparation Fee
- Loan Closing or Settlement Fee
- Notary Fees
- Interest Rate Lock-In Fee
- Tax Service Fee
- Delivery/Wire Fees
- Commitment or Marketing Fees
- Trustee's Fees or Charges

2. LOAN DISCOUNT POINTS

Discount points are charged if you want to get an interest rate lower than the current mortgage market rate. Up to two discounts points or 2% is considered to be a reasonable charge. Discount points may be paid by either the buyer or seller.



3. CREDIT REPORT

This fee varies but is generally between \$50 to \$65. You can expect most lenders to collect this fee as soon as you apply. This fee is non-refundable even if the loan never closes.

Additional fees may apply for supplemental credit reports used to update your credit history.

4. APPRAISAL FEE

Currently, the average VA appraisal fee is an average of \$400 - \$450 for a single family residence. The appraisal is a statement of the property value and determines the maximum loan amount to be obtained without a down payment. You can expect to pay this fee at the time the appraisal is completed. This fee is non-refundable even if the loan never closes.

5. HAZARD INSURANCE AND REAL ESTATE TAXES

At closing, the lender collects advanced payments on hazard (homeowners) insurance and real estate taxes. This is necessary to ensure there will be sufficient funds reserved to pay the first year of taxes and insurance when billed. These are commonly referred to as the Tax and Insurance Impound or Escrow Accounts.

6. VA FUNDING FEE

This fee is established by VA to help offset the cost of the Loan Guaranty program. The fee charged varies depending on the amount and type of loan being financed. This is the only fee that may be added to the loan amount or paid in cash at closing.

If you receive VA compensation or have been rated eligible to receive VA compensation you **may be exempt** from paying this fee. Your lender can verify this by submitting a Verification of VA Benefits form to our office. You may also provide your lender with a copy of your VA disability compensation letter, if it is dated within the past twelve months.

7. TITLE INSURANCE

A title insurance policy is issued by a title company after a title search is completed and they have verified there are no outstanding liens against the property. The fee averages from \$600 to \$800 but may be higher based on regional insurance rates and your loan amount.

8. RECORDING FEE

This is charged for the recording of your deed on county records. The typical fee averages from \$20 to \$75