



## How Can I Avoid Mortgage Closing Costs?

If you have bought a home before or if you are considering such a purchase, you undoubtedly know all about the fees required for your mortgage loan, the closing costs. In today's market, these fees that you pay to the lender for things like appraisal costs, attorney's fees, and title searches will cost you anywhere from 2% to 6% of your loan value. Even if you find a lender that charges closing costs closer to the 2% mark, it still may seem like a lot of out-of-pocket cash. If you are a first-time homebuyer, you may simply not have saved up that kind of money yet. Or if you are refinancing in order to get some extra cash and save money, the last thing you want is to have to pay several hundred or thousand dollars upfront. Is there a way to avoid paying these pesky fees?

The answer is yes and no. With a refinance mortgage, you can avoid paying the costs upfront but you must pay them somehow in the end. For example, if you are refinancing your current mortgage, you may be able to get your lender to roll your closing costs into the balance of your loan. So instead of paying \$2000 in fees at the beginning of your new loan, that amount will be added to your total and you will pay them off little by little over the course of the loan. While rolling in the closing costs is a common practice these days, you should be careful that it does not cost you too much in higher interest fees. This may determine whether or not the refinance is worth the trouble.

If you are buying a home, rolling in the closing costs is often a frowned-upon practice. This is because financing more than 100% of your loan puts you and your lender in a risky position. If for some reason you are unable to make payments on your loan, your house may not have had enough time to appreciate much. If you sold your house to avoid foreclosure, you might end up selling at a loss, to your detriment and possibly your lender's if you cannot repay the full loan amount.

Even so, there is a way to avoid paying closing costs altogether on a home purchase. In order to accomplish this though, you must have the cooperation of the seller. In the current slower housing market with so many homes for sale, it may not be hard to find a seller willing to work with you and pay your closing costs in order to close the deal.

You and the lender must make an agreement so that you will pay a little more than the seller was asking, and the seller agrees to give the extra money back to you when the mortgage loan closes. You then put that money towards the closing costs. This way, both you and the seller profit from the deal.

In order for this scenario to work, you must be able to qualify for the slightly larger loan. If you are only pre-approved to borrow \$150,000 from your lender, you will not be able to have the seller "pay" your closing costs if the deal means the total is more than that \$150,000. Another issue is that no matter what your loan limit is, the appraisal must verify that the house is worth the higher price you are paying for it. If it does not, you could ask the seller to lower the asking price so that you can still add in the closing costs and not surpass the appraisal maximum.

Avoiding paying closing costs is not a simple issue. Whether or not you will be able to avoid or postpone them will depend on several things, like what type of loan you are seeking, how good your credit score is, and if you can find cooperative partners. At least you can take comfort in knowing there are ways to get around closing costs up front, even if the methods seem



complicated!