



Cutting Back on Closing Costs

Because of the current housing slump, home prices are decreasing in many areas of the country and growing very slowly in most other places. And because mortgage interest rates have remained low, historically speaking, now might be a great time to jump into the housing market as a first-time homebuyer. While it is a buyer's market, you should be prepared to bring a sizeable amount of cash to the mortgage table. One of the biggest upfront costs of your mortgage will probably be your closing costs.

The Fees Add Up

Closing costs incorporate all the services and fees required to process and complete your mortgage application. They also include any points you pay to buy down your interest rate. And while you wouldn't think processing an application could cost so much, all the services get their cut and the fees add up. In general, you will find that closing costs, including points will run between 3 percent and seven percent of the loan value. On a \$200,000 home loan, you could end up paying anywhere from \$6,000 to \$14,000 in closing costs. If this seems excessive to you or if it would price you out of a home right now, there are several things you can do to bring down your closing costs.

Shop Around

Always the best policy for getting a good deal, shopping around among several different mortgage lenders and brokers will assure you get the lowest price out there. Especially in today's market, where buyers are fewer and farther between, lenders are motivated to capture your business. Let each lender know the best closing cost estimate you have received elsewhere and ask if he or she can do better. Make sure you compare total loan costs though, and not just the closing costs. Lower closing costs might mean a higher interest rate. To make sure you are truly getting the best priced loan, compare the offers based on the annual percentage rate (APR.)

Challenge Every Fee

Closing costs include both fixed and variable fees. Fixed costs include those services rendered by third parties, usually the appraisal fees, attorney's fees, and title fees. Other things like the application fee and the credit check fee can often be lowered or waived. Ask your lender for a detailed list of the closing costs and ask point-by-point which fees can be reduced and which cannot. You may be surprised at how much the lender will be willing to waive.

Get the Seller to Pay

Because sales have slowed down so dramatically in many parts of the country, there are many anxious home sellers out there, ready to make huge concessions to get out of their homes. Paying the borrower's closing costs is a popular incentive offered by these home sellers. And even if they don't offer, do not be afraid to ask for closing costs to be a part of the sale. Hard times create very flexible sellers!

There may be other things you can do to cut down on your closing costs, but these



suggestions will give you a good start on getting the best deal out there!