



What are the Costs of Refinancing?

Refinancing your current home loan is often a great way to get into a lower interest rate, lower your monthly mortgage payments, or take out some needed cash for various projects. Before you jump into a new loan however, you should realize that, just like with your original mortgage, this new refinance loan will cost you some upfront fees. The new loan may or may not be worth the costs, depending on how long you plan to stay in your home and whether or not the new loan has a prepayment penalty. Take a look at some of the traditional fees associated with a refinance home loan.

Points/Origination Fees

One point is equal to one percent of the loan total. Lenders will sometimes require you to pay points (which go directly to them) and sometimes they will simply give you the option of paying a point or two in order to buy down the interest rate. For example, a lender may ask you to pay two points in exchange for dropping the interest rate on your loan by 0.5 percent. On a \$200,000 loan though, that would cost you \$4000. While these points are tax deductible over time, it is still a hefty charge to pay upfront. Make sure you plan to stay in your home long enough to realize the interest rate savings.

Application Fee

An application fee is sometimes charged by a lender in order to cover the cost of their time in preparing your application and the cost of pulling your credit report. Some lenders may waive this fee, but if not, you could pay anywhere from \$75 to \$300 for this service. Be sure you check beforehand with the lender how much he will charge.

Appraisal Fee

Because you are taking out a new loan with your property as collateral, the lender needs to know exactly how much that collateral is worth. They must hire a third party to examine the property and determine its current market value. You can expect to pay between \$150 and \$400 for this service.

Title Search and Insurance

The lender will also need to be sure that you are in fact the legal owner of the property and whether or not there are any liens or other judgments on the home. This requires a full search of the home's title. You will also be charged for title insurance which protects you against problems with the title. This may cost between \$450 and \$600.

Attorney's Fees

Because a refinance loan contract involves a lot of complicated legal talk, lenders will usually have an attorney on hand to review the contract and also to conduct the loan closing process. This is a third party and your lender will pass on the cost for the attorney's services to you, the borrower. You should be prepared to pay anywhere from \$75 to \$200 for this fee.



All in all, most refinance loan fees total between 3 and 6 percent of the loan balance. By shopping around and comparing rates and fees from different lenders, you can be sure you are getting the best deal on your refinance mortgage loan.