



How to Get the Lowest Fees on a Mortgage Loan

In your search for the perfect mortgage loan, you are offered a great low interest rate. You start the paperwork only to find out that there are thousands of dollars of hidden fees and closing costs that were not discussed at the beginning of the negotiations. To avoid a scenario like this, start your loan search with a good working knowledge of how to secure a mortgage with the least amount of fees and closing costs.

First of all you should know that most lenders will charge some closing costs. You should be prepared to pay some extra amount at the close of the loan, but you want to avoid excessive costs. According to a December 2003 HSH Associates survey, here are some of the average costs you can expect to pay, based on a \$100,000 loan: a \$272 application fee, \$310 for the home appraisal, \$28 for pulling your credit report, a document preparation costs of \$206, processing fees averaging \$288, recording fees of \$86, and finally \$236 in underwriting fees. Be aware that there are many more possible fees that you may be required to pay.

Some of these fees are simply part of the loan and some are negotiable. If you already have a mortgage lender from a previous home purchase, you may try contacting him first to see what he can offer. He will already know about your credit and payment history and may be able to offer you lower fees.

Another smart tip is to ask for an estimate of closing costs from each lender if you decide to shop around for a new lender. Most people are concerned with the interest rate, but you should find out how much you will pay in closing costs for each quoted rate. As you shop around you can also make lenders compete for your business and in the process, lower the fees they will charge you. Keep in mind though that closing cost estimates may end of being more in the end that quoted because they do not include taxes and insurance that you will have to pay.

Make sure you balance fees with interest rates. While it may be uncomfortable to pay some up-front fees at the close of your loan, if it means getting a great interest rate for the entire term of your loan you may end of saving yourself tens of thousands in interest payments.

You should also consider loans that will allow you to roll your closing costs into the mortgage loan total. Sometimes tacking a couple thousand dollars onto your loan balance may only raise your monthly payment by a few dollars, but will permit you to obtain a nice low interest rate. Not all lenders include this option though, so you may have to shop around if this is your preference.

Getting a new mortgage loan can be an expensive process. If you are careful to shop around and look at all your options, you should be able to significantly reduce the amount of closing costs you will have to pay.