How Much Will I Pay in Closing Costs

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On the day you actually buy your new home, in addition to your down payment and the prepaid property tax and homeowners insurance premiums, you'll need cash for various fees associated with the purchase. These expenses are known as closing costs and are paid by both buyers and sellers.

Some closing costs you pay up-front when you apply for a mortgage loan. That includes money for a credit check on all applicants and an appraisal on the property. Keep in mind that even if you don't eventually receive the loan, that money is not refundable.

Other closing costs are possible and should be considered when evaluating your financial situation. These may include, but are not limited to:
- Title insurance fee;
- Survey charge;
- Loan origination fee;
- Attorney fees or escrow fees;
- Document preparation fee;
- Garbage or trash collection fees; and the big one
- Points - up-front interest paid in return for a lower interest rate. Each point is one percent of the loan amount.

Sometimes you can contract for the seller to pay your points. NOTE: Consider closing costs when choosing one mortgage plan over another. The good news is that if your cash is limited, some mortgage plans allow the seller to pay some or all of your closing costs, such as title insurance, escrow fees, and points. Certain closing costs can sometimes be added to the amount of mortgage loan you're receiving. Figuring Out Your Monthly Income

When you apply for a home loan (and even long before that, when you first speak to a Realtor) the first question may likely be "what is your income?" In making this determination, lenders consider the income of all parties who will be owners of the property. Be prepared to provide a monthly accounting of all sources of income. Figuring Out Your Monthly Debt

Lenders are interested mainly in your present monthly payments because they want to be sure you can handle the mortgage payment you'll be applying for. Different mortgage plans consider payments on any debt that won't be paid off within, for example, six months, nine months, or a year. Amount of Your Down Payment

Your down payment is paid in cash and is not included as part of the loan amount. The bigger your initial down payment, the smaller your loan, which reduces the amount of your payments.

How much you'll put down depends on the cash you have available and the amounts you'll need for closing costs and prepaid property taxes and homeowners' insurance.

Mortgage plans have various down payment requirements and they can range from 0% down on a VA Veterans Administration Loan - to between 3 and 5% down on a FHA Federal Housing Administration Loan - to 20% down, the traditional amount for a conventional loan. In addition, special state programs for first-time home buyers may set different sums, which are usually lower than conventional financing.

If you put less than 20% down on most loans, you'll be asked to protect the lender by carrying private mortgage insurance (PMI). Carrying PMI ensures that the debt is repaid if you default on the loan. This adds approximately an extra half a percent onto the loan.

FHA mortgages, in return for their low-down-payment requirements, also charge for mortgage insurance premiums (MIP).