Ways to Reduce Closing Costs

With the new federal regulations regarding mortgages and interest rates, the consumer actually gets to pick their rate. The higher the rate, the lower the fees; and the lower the rate, the higher the fees.

For a loan of $417,000 the buyer's typical loan fees and closing costs include but are not limited to:

- Origination fees or points
- Appraisal fee
- Processing fee
- Credit report
- Title and escrow fees
- Underwriting fee
- E-doc fee
- Courier
- Notary fee
- Prepaid taxes and insurance to set up impound accounts

The customary fees on this type of loan including title and escrow costs average approximately $4,300. By choosing an interest rate with a credit for closing costs, these fees may be reduced significantly.

A generic example of rates and the possible credits the buyers could receive:

- If the buyers choose a rate of 4.5%, they would receive a credit towards closing cost of 1.08% of the loan amount, or $4,504. This could be applied to all loan, title, and escrow fees, as well as any inspections the buyers may have done and other non-recurring closing costs.
  The monthly principal and interest payment would be $2,113.
- If the buyers choose a rate of 4.25%, the buyers would pay all fees that are customary in a purchase transaction and receive no credit, but pay no additional points.
  The monthly principal payment and investment payment would be $2,051.
- If the buyers choose a rate of 4.00%, the buyers would pay all fees that are customary in a purchase transaction and receive no credit, and are charged points of 1.1% of the loan amount, or $4,587.
  The monthly principal and interest payment would be $1,991.

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