

Unexpected Costs When Buying a Home

When focusing on saving for your down payment and figuring out what your mortgage payment will be, it can be easy to overlook some of the lesser fees that come along with a home purchase. Here are some of them and what they could cost:

Application Fees

Before you get approved for a loan, the lender is going to run your credit report and charge you an application fee. These two costs can, and often are, lumped together and can cost \$75 to \$300. Be sure to ask what the details of your costs are so that you have a clear understanding.

Title Services

When you buy a home, the title will need to be transferred from the seller to the buyer, which can result in an assortment of fees, varying in prices. There is a title search fee (typically \$75 to \$100) or a search of the property's records to ensure no one else has a claim to the property. Also, you may have to pay a recording fee so that your county office records the purchase so that it becomes a matter of public record. You may be required to purchase lender's title insurance, which costs \$1000 on average.

Loan Origination Fees

An origination fee is an upfront fee charged by a lender for processing a new loan application, used as compensation for putting the loan in place. Origination fees are quoted as a percentage of the total loan and are generally between 0.5 and 1% on mortgage loans in the United States.

Home Inspection

Inspectors come and look for structural issues, termite damage, leaks and mold. They also will evaluate the heating and cooling system, the condition of the roof, gutters, and more. A home inspection will help protect you from purchasing a home that could end up costing you tens of thousands in repairs. So, you don't want to skip it. Inspections cost between \$300 and \$500.

Appraisal Fee

The appraisal will determine the value of the property you are looking at. The lender uses the appraisal report to determine if the house is worth buying and how much to loan. An appraisal can take about 2 hours and costs between \$200 and \$500.

Survey Costs

A property survey shows the boundaries of the property indicating the lot size and includes a written description of the property. Not all lenders will require a new survey, but you may end up in need of one. Nationally, the average cost to purchase a land survey is about \$456 with a range between \$367 and nearly \$490.

Private Mortgage Insurance (PMI)

When your down payment is less than 20% on your new home, the lender will require you to purchase PMI, which is a policy that will protect the lender from losing money if your home ends up in foreclosure. PMI rates typically cost between 0.5% to 1% of the entire loan amount on an annual basis.