

## Understanding the Good Faith Estimate

Your lender is required by the Federal Real Estate Settlement Procedures Act to provide you with a good-faith estimate of the fees due at closing. This document, called the good-faith estimate, or GFE, is supposed to be provided to you within three days of applying for a loan. The requirement is satisfied if the good-faith estimate is mailed within three days.

The closing fees, also called settlement costs, cover almost every expense associated with your home loan. Because closing costs typically total to between 3 percent and 5 percent of the sale price, it is best to wait until you receive the good-faith estimate before committing to a loan.

Below is a list of some of the fees you'll find on your good-faith estimate:

### Good Faith Estimate Fees

• Origination	<b>Settlement, closing or escrow fee</b>
• Discount Points	Abstract or title search
• Property Appraisal	Title examination
• Credit Report	Document preparation
• Lender's Inspection	Notary
• Mortgage Insurance	Attorney
• Mortgage Broker fee	Title insurance
• Tax related service fee	Recording
• Application fee	City/county tax stamps
• Commitment	Transfer tax
• Processing	Survey
• Underwriting	Pest inspection
	Condominium application
	Prepaid interest, hazard insurance, property taxes and mortgage

### It's just an estimate

The good-faith estimate is just that—an estimate. The lender directly controls some of the fees, and those are the one to pay the most attention to when you are comparing offers. Some fees are performed by third parties, and usually don't vary much from lender to lender. Other expenses are under your control, and there are taxes and government fees that should be the same, regardless of the lender.

### Lender-controlled fees

The fees that the lender controls, and which are most subject to variation, are origination, discount, credit reporting, assumption, mortgage broker, tax related service, application, commitment, rate lock, processing, underwriting and wire transfer fees.

If a fee seems vague or questionable, ask.

### **Third-party fees**

There are some fees that cover services that the lender typically shops for. The lender is supposed to pass these fees directly to you, without marking them up. These third-party fees include the settlement, closing or service fee; appraisal; abstract or title search; title examination; document preparation; notary; attorney, and title insurance.

You don't have a lot of negotiating room on these fees, but if one is much higher or lower than the comparable fee in a competing offer, ask for an explanation.

### **Fees for services that you can shop for**

There is some overlap here with the third-party fees mentioned above—specifically, the attorney's fees or settlement, closing or service fees. In North Carolina, the closing is done by attorneys and in other states, the closing is done at a title office. Either way, you can shop for a less expensive closing-service provider. You also are expected to shop for homeowners insurance instead of taking the lender's estimate as gospel.

### **Non-negotiable items**

Your local and state governments will charge recording fees, tax stamps and transfer taxes. There's not much you can do to negotiate those.

### **Be skeptical**

Lenders, especially those that are huge and operate nationwide, often have trouble estimating title insurance and government fees. Scrutinize these line items; the lender with the smaller estimate for title insurance or government fees might be inaccurate. National lenders have particular trouble estimating the buyer's cost for title insurance—not because they estimate the price wrong, but because of varying customs regarding who pays what. In one county, the seller might customarily pay for title insurance, while in the adjoining county; the custom is for the buyer to pay for title insurance.

### **Closing at the end of the month**

Because all mortgage loan payments are due on the first of the month, you can avoid or reduce the prepaid interest due by closing on or near the last day of the month.