

Closing Costs Explained

Every line on the Closing Disclosure, in plain English.

by Debbie Marcoux · NMLS #237926

The Mortgage Mom · mortgagemomradio.com · (844) 935-3634

The three buckets

“Closing costs” sounds like one big mysterious number. It isn't. Almost everything you'll pay falls into three clear groups — and once you can sort a charge into the right bucket, the whole Closing Disclosure makes sense.

1 · Lender fees

What the lender charges to make the loan — origination, underwriting, and the like. These appear in Section A of your Loan Estimate, and they're the ones most worth comparing between lenders.

2 · Third-party fees

Services from outside the lender: the appraisal, title work, settlement, recording, and any required inspections. The lender collects some on your behalf, but the charge comes from another company.

3 · Prepays & escrow

Not really “fees” at all. These are your own property taxes, homeowner's insurance, and a little interest, paid slightly ahead of time and parked in your escrow account. It's your money, working for you.

FROM DEBBIE

When a number startles you, ask which bucket it's in. If it's prepaids, breathe — you're not losing it, you're pre-paying yourself.

Line by line

Here's what each common charge is, who collects it, a typical range, and whether you can shop or negotiate it.

Lender fees

Charge	Typical range	What it is & can you shop it?
Origination charge	\$500–\$1,500	The lender's core fee to process the loan. Compare it across lenders — it varies.
Discount points	1 pt = 1% of loan	Optional. Pay upfront to buy down your rate. Only worth it if you'll keep the loan long enough.
Underwriting fee	\$400–\$900	Cost of reviewing and approving your file. Sometimes bundled into origination.
Application fee	Often waived	A few lenders charge it; many don't. Ask up front.
Credit report fee	\$25–\$75	Pass-through cost of pulling your credit. Not negotiable, but small.

Third-party fees

Charge	Typical range	What it is & can you shop it?
Appraisal	\$500–\$700+	Independent value estimate. Required. Higher in expensive markets.
Lender's title insurance	~0.5% of loan	Protects the lender's interest. Often shoppable — you can choose the title company in most states.
Owner's title insurance	~0.3–0.5%	Protects you. A one-time cost; well worth it.
Title search / exam	\$150–\$400	Confirms clear ownership history. Usually bundled with title work.
Settlement / escrow / attorney	\$300–\$900	Closes the transaction. Varies by state; sometimes shoppable.
Survey	\$300–\$500	Maps property lines. Required in some states, not others.
Recording fee	\$50–\$200	Set by your county to record the deed and mortgage. Fixed.
Transfer taxes	Varies widely	State/local tax on the sale. Can be large; set by law, not negotiable.
Pest / WDI inspection	\$75–\$150	Checks for wood-destroying insects. Required on some loans.
HOA transfer fee	\$100–\$500	Condo/HOA paperwork fee. Applies only with an association.

Prepays & escrow setup

Charge	Typical range	What it is & can you shop it?
Prepaid interest	Per-day to month-end	Interest from your closing day to the end of the month. Lower if you close late in the month.
Homeowner's insurance	12 mo + 2 mo reserve	A year paid upfront, plus a cushion in escrow. Your money.
Property tax reserve	2–6 months	Builds your escrow so the servicer can pay your taxes on time. Depends on state and timing.
Mortgage insurance upfront	Varies by loan	FHA UFMIP, VA funding fee, or USDA guarantee fee — a one-time charge on those loans.

How to actually save

You can't wish closing costs away, but a handful of moves can shave real money off the total. Here's where the leverage actually is.

- Get a Loan Estimate from at least three lenders. Line up Section A — the origination fees — side by side. This is the single highest-value thing you can do.
- Shop your title insurance. In most states you can pick your own title company, and prices vary more than people expect.
- Don't pay points unless the math works. Buying down your rate only pays off if you'll keep the loan long enough to recoup the upfront cost.
- Ask the seller for concessions. In your offer, you can request that the seller pay part of your closing costs — especially in a balanced or buyer's market.
- Consider a lender credit. Accepting a slightly higher rate can earn you a credit toward closing costs — helpful if you're short on cash today.

Want me to look at a real Loan Estimate with you?
Send it over and I'll walk every line with you — no charge. Email
questions@mortgagemomradio.com or call (844) 935-3634. — Debbie