



How to Save on Closing Costs When You Buy a Home

By Abby Hayes

Many future homebuyers spend years saving and planning for a down payment. But when they get ready to actually purchase a home, they're shocked at the amount of closing costs.

On average, [closing costs amount to between 2 and 5 percent of the total purchase price](#) of a home. That can be a hefty fee, even for a modest house!

While certain closing costs are inevitable, buyers have control over some of them. Whether you're just starting the home search or ending the process for your dream home, you can take steps to save on your closing costs. Here are 9 ways to save on closing costs:

1. Shop around for a lender

Because many closing costs are set by the lender, final costs can vary greatly from lender to lender. This is one reason shopping for a mortgage lender is so important. When you shop around, lenders should give you a good faith estimate (GFE) of your potential total costs, including closing costs. Examine the costs line by line to see who is offering the best deal.

2. Negotiate lender fees

Once you have GFEs in hand, you can leverage them to negotiate for lower closing costs with your lender. If you need to, walk through the fees line by line. You may be able to shop around for some individual services, such as [an appraisal](#), or simply get the lender to reduce some of the fees they impose.

3. Check for a reissue rate for your title

Most of the time, you'll need to pay a fee for a title search and title insurance. A title search ensures that there are no outstanding liens on the home you're planning to buy. And title insurance protects you and the lender in case something was missed during the title search.

4. Buy title insurance directly

Another way to save on title insurance is to buy it directly, rather than through a larger company or conglomerate. New companies, such as [OneTitle](#), allow buyers and lenders to do this. This can save between 20% and 40% on the total cost of title insurance.

5. Research before you pay points

Many lenders will offer the option of paying points up front during closing. This fee gets rolled into other closing costs. This can sometimes save you significant cash over the life of your loan, since each point paid at closing will reduce your interest rate. But how much you save depends on a variety of factors, including current interest rates and how long you stay in the home.

Here's one [helpful calculator](#) to show you how paying points might work out in your favor. Run the cost-benefit analysis before you decide whether or not to pay points.

6. Shop around for insurance

At closing, you'll be required to pay for a year's worth of homeowner's insurance up front. This obviously results in a hefty fee, and can make up a substantial percentage of your monthly payment. This is why it's so important to shop around for [homeowner's insurance](#) to make sure you're getting the most bang for your buck.

7. Ask for the seller to pay some of the costs

Strapped for cash or just wanting to reserve some cash to make improvements on the new home? Ask your seller to pay some of the closing costs. This is a fairly standard practice, especially in a buyer's market. If the home you're buying has been on the market for a while, you'll have better luck with this tactic.

8. Examine the forms before you sign

Before you sign your closing documents, be sure to go over all of the closing fees. Sometimes lenders will slip in last-minute expenses unexpectedly. Compare your final closing costs to those listed in your Good Faith Estimate, and be sure to ask about any changes or discrepancies before you finish closing.

9. Close at the end of the month

When you buy a home, you actually don't make a payment until the month after you close. So on your closing day, you'll pay for accrued interest from your closing day until the end of your closing month. So if you close on June 1st, you'll pay accrued interest from the 1st through the 30th. But if you close on the 29th, you'll only pay two days' worth of accrued interest.

Closing costs are just part of the home buying game. You'll have to pay at least some on the day you close on your home. But that doesn't mean you can't save a few hundred, or even a few thousand, dollars by using tactics like these.

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