

Escrow & Closing Costs - Q & A

Q: How can I save on closing costs?

A: Studies show that the closing costs, which can average 2 to 3 percent of a total home purchase price, are often more costly than many buyers expect. But there are some ways to save:

- * Negotiate with the seller to pay all or part of the closing costs. If the seller agrees and is paying part, the lender must agree to this as well as the seller.
- * Get a no-point loan. The trade-off is a higher interest rate on the loan and many of these loans have prepayment penalties. But buyers who are short on cash and can qualify for a higher interest rate may find a no-point loan will significantly cut their closing costs.
- * Get a no-fee loan. Usually, though, these fees are wrapped into a higher interest rate though it will save you on the amount of cash you need upfront.
- * Get seller financing. This kind of arrangement usually does not entail traditional loan fees or charges.
- * Rent the property in which you are interested with an option to buy. That will give you more time to save for the upfront cash needed for the actual purchase.
- * Shop around for the best loan deal. Each direct lender and each mortgage brokerage has their own fee structure. Call around before submitting your final loan application.

Q: Where do I get information about closing costs?

A: For more on closing costs, ask for the "Consumer's Guide to Mortgage Settlement Costs," Federal Reserve Bank of San Francisco, Public Information Department, P.O. Box 7702, San Francisco, CA 94120, or call (415) 974-2163.

Q: What are closing costs?

A: Closing costs are the fees for services, taxes or special interest charges that surround the purchase of a home. They include upfront loan points, title insurance, escrow or closing day charges, document fees, prepaid interest and property taxes. Unless, these charges are rolled into the loan, they must be paid when the home is closed.

Q: Who pays the closing costs?

A: Closing costs are either paid by the home seller or home buyer. It often depends on local custom and what the buyer or seller negotiates.

Q: Why do I need a title report?

A: As much as you as a buyer may want to believe that the home you have found is perfect, a clear title report ensures there are no liens placed against the prior owners or any documents that will restrict your use of the property.

A preliminary title report provides you with an opportunity to review any impediment that would prevent clear title from passing to you.

When reading a preliminary report, it is important to check the extent of your

ownership rights or interest. The most common form of interest is "fee simple" or "fee," which is the highest type of interest an owner can have in land.

Liens, restrictions and interests of others excluded from title coverage will be listed numerically as exceptions in the report.

You also may have to consider interests of any third parties, such as easements granted by prior owners that limit use of the property. Some buyers attempt to clear these unwanted items prior to purchase.

A list of standard exceptions and exclusions not covered by the title insurance policy may be attached. This section includes items the buyer may want to investigate further, such as any laws governing building and zoning.
