

The Woodside Connection  
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## Good Faith Estimate Fees

The **Good Faith Estimate** or **GFE** fees are estimates and are not final until 0-48 hours before closing. The good faith estimate are only estimates and will vary depending on loan size, closing date, credit, third party fees, city/local government fees, and the type of loan you have.

A mortgage broker or mortgage lender should have a good handle on an “educated guess” on what fees should cost in your area and your specific criteria. The Good Faith Estimate also known as a GFE is a wonderful tool to help you compare fees between lenders/brokers. The fees are broken into separate sections:

- 1) Items payable in connection with the loan
- 2) Title Charges
- 3) Government Recording and Transfer Charges:
- 4) Additional Settlement Charges
- 5) Items Required by Lender to be paid in advance:
- 6) Reserves Deposited with Lender
- 7) Compensation to Broker
- 8) Total Estimated Funds to close

Now that we have broken them down into sections what does all this mean to me?

Hopefully with a little education and some deep breathing we can pull together and start to understand what they mean so we can compare apples to apples when looking at different good faith estimates.

**Items payable in connection with the loan** – This section of fees is usually where all the negotiations can start. Besides the interest rate you are trying to negotiate, the fees listed here can save you hundreds and maybe even thousands down the road. Everyone needs to make a living or a profit, but the more money you save the more in your pocket. Some fees listed in this section can contain what the industry calls “junk fees”. The “junk fees” are fees that don’t have a direct expense related to them. When a good faith estimate has a processing fee it’s a fee to basically cover the human effort into the loan, supplies, and any fees that get passed to the lender like processing upload fees to Freddie Mac or Fannie Mae. It’s hard for a lender to exactly figure out what the fees cost them per loan so they lump it into a fee usually called processing fee, underwriting fee, or even application fee. This fee can range depending upon each lender. When comparing this section get an idea of what the area lenders are charging and then you can start your negotiations. Here’s a general national average of fees in this section.

- 1) Loan origination - \$0.00 (this is what I prefer to pay) this fee can vary depending upon what type of loan you get.
- 2) Loan discount – 1% or 1 point will usually discount the rate .25% for conforming loans.
- 3) Appraisal Fee – \$300 - \$500 depending upon the size of the home and type of appraisal.
- 4) Credit Report - \$0 – Most lenders don’t charge this fee anymore.
- 5) Lender’s Inspection Fee - \$0
- 6) Mortgage Broker Fee - \$0 – Some may be creative and lump fees into this row, but beware when trying to compare apples to apples.
- 7) Tax Related Service Fee - \$150

- 8) Processing Fee - \$250-\$500
- 9) Underwriting Fee - \$250 - \$500
- 10) Wire Transfer Fee - \$50.00

**Title Charges** – These charges generally are not negotiable with the lender. You can save yourself some money in this section by trying to find your own attorney that is approved by your lender/broker in your area. There is a wide variety of charges between lawyers or title companies. Do your homework here, because you could save hundreds. Here's a general sample of national fees:

- 1) Escrow Fee: .25%
- 2) Document Prep Fees - \$100-\$250
- 3) Notary Fees - \$100 (remember if you don't use a notary it's \$0)
- 4) Attorney Fees - \$250 - \$1,000
- 5) Title Insurance – Varies widely per state
- 6) Closing Agent - \$250 - \$500
- 7) Title Search - \$250

**Government Recording & Transfer Charges** – This section of fees are non-negotiable. The only fee that could possibly be is the recording fee with the attorney whom the loan closes with, but it generally will only run you \$50-\$100. The fee varies depending upon number of pages they need to record. There are better areas to focus on saving money.

**Additional Settlement Charges** – Again, this section generally is not negotiated. The fees are very minimal in comparison to the overall costs of the loan. Some fees listed here might be:

- 1) Pest Inspection Fee - \$25 - \$150
- 2) Flood Certification Fee - \$50

**Items Required by Lender to be paid in advance** – These fees are all standard fees. You may be required to pay additional fees here if you have a FHA or VA loan. All loans will have per diem interest depending upon what day in the month the loan closes.

- 1) Interest – Interest paid to the lender on the new loan from the date of closing through the last day of the month the loan closes in. This amount will vary depending on the actual closing date and how many days remain in the month. The closer to the end of the month you close the lower the prepaid interest charge to you.
- 2) Mortgage Insurance Premium – FHA Loans Only. The total amount of the Upfront Mortgage Insurance premium is usually financed in the new loan amount.
- 3) Hazard Insurance Premium – Cost of a one year hazard (Homeowner's) Insurance Policy. This is an estimated amount until the borrower gives a binder or policy from the insurance agent of your choice.
- 4) Tax and Assessments – usually used on refinance loans for listing any delinquent or past due taxes that must be included in the payoff of the borrower's current loan.
- 5) VA Funding Fee – VA loans only. The total amount of the VA Funding Fee is usually financed in the new loan amount.

**Reserves Deposited with Lender** - All of these fees are standard per lender/broker. The fees are usually set by your county, city, or state. Used to determine the number of months required and the amount of reserves needed to establish an escrow account for the new loan. Be careful because there's really nothing you can do if this section becomes thousands of dollars. Like stated above it's what is required by the lender for the city/town/state to make your loan in compliance.