



How to Avoid Junk Fees When Buying a House

GMA's Consumer Correspondent Elisabeth Leamy Shares Her Tips

March 9, 2006 --

Americans spend \$110 billion a year buying houses -- and that doesn't include the cost of the homes, just the cost of the loans.

A Money magazine investigation found Americans pay thousands of dollars in inflated closing costs. And since some of those costs are based on the purchase price, the real estate bubble has just made it worse.

During the big years of the bubble, buyers felt lucky just to win a bid on a house and didn't ask too many questions.

That's too bad, because they could have saved thousands of dollars.

GMA Consumer Correspondent Elisabeth Leamy recently bought a house and saved \$4,700 on closing costs. She has some tips so that you can do the same.

Lenders are required to give you a good faith estimate of your closing costs when you first contact them, but it's not required to be accurate! So they often give a lowball estimate to get your business, then jack the fees up at closing.

To avoid the problem of bait and switch, talk to several lenders, and don't just compare interest rates -- compare fees. The quotes Leamy got were "all over the map" -- one lender charged a \$3,500 initiation fee that the others didn't charge.

Compare fees. Ask what fees cover and if you see things like vague "administrative" fees, ask exactly what that covers. Sending faxes? Notarizing paperwork? What? Put them on notice that you're paying attention.

Warn your lender that you won't tolerate that. Insist on getting a copy of your final closing cost bill, called a HUD-1 settlement sheet, a couple days before your closing instead of "at" your closing. Compare it to the good faith estimate and aggressively question any differences.

Beware of padded fees. Say your county charges \$25 to record the deed to your new house. Sometimes a title company will bill you \$125 for that service.

To avoid this, check government charges and ask for receipts. Find out how much your local government charges for transfer taxes and recording fees and don't pay a penny more. And if your lender says it paid an outside company, like a courier or a surveyor to help process your mortgage, ask to see the receipt.

Beware of title insurance, which covers you if somebody comes along and claims they have a right to your property. Most consumers go with whomever their real estate agent or lender recommends. Home buyers should shop around. Leamy saved \$1,200 by playing the companies against each other.

Another huge money-saver is if you can get the seller to provide a copy of their title insurance policy. That cuts down on the work your title company has to do, and they should give you a discount of about 40 percent. It's called the "reissue rate" and it can save you hundreds of dollars.

Copyright © 2008 ABC News Internet Ventures