

# Closing Cost Terms

**Appraisal Fee** - a fee charged by the appraiser to evaluate the property's market value based on comparable sales, improvements, location, marketability and use and enjoyment.

**Assumption Fee** - a fee charged, typically to a buyer, for the assumption of a current loan. Varies depending on lender.

**Closing Disclosure (CD) Form** - a new form implemented by the CFPB as part of the TRID documents to combine the information previously disclosed on the Final Truth In Lending and the Final Settlement Statement (HUD1).

**Consummation** - a new term implemented by the CFPB to define closing/settlement. The finality of a closing transaction.

**Consumer Financial Protection Bureau (CFPB)** - a government department birthed from the Dodd-Frank Act of 2008 to manage and regulate all aspects of consumer financing including mortgages.

**Final Truth In Lending** - an obsolete document with the implementation of the new TRID documents with regard to certain types of mortgage financing previously used to show the total costs of credit with regard to mortgage lending.

**Final Settlement Statement/HUD1** - an accounting statement of itemized final closing costs and amounts due by buyer and to seller at closing. This form was replaced by the Closing Disclosure form as part of implementation of TRID in October 2015 in certain types of mortgage financing.

**TRID- TILA/RESPA Integrated Disclosures** - the new disclosure forms as identified as the Loan Estimate and Closing Disclosure implemented in October 2015 by the CFPB for use in certain mortgage transactions to better inform consumers.

**Credit Report** - a report of a personal credit history ordered by a lender.

**Discount Points** - points charged upfront by lenders to reduce or offset a prevailing rate of interest. Fees range depending on the lender and may be negotiated in the contract to be paid by either buyer or seller.

**Escrow Fee** - the title company fee for the work completed on a real estate transaction.

**E-Filing Fee** - fee charged to electronically record a document in the county records. These fees are in addition to the recording fee and are typically charged to the party paying for the recording of a particular document.

**Hazard Insurance** - fire and extended casualty insurance coverage protects the dwelling or improvements against loss. Homeowners Insurance will protect the contents in case of loss; required by the lender for at least the amount of the loan.

**Inspections** - an initial home inspection is performed by an independent inspector to identify conditions of a property for a prospective buyer. Other inspections necessary along the way include foundation, termite, appliance, septic tank or water well. Parties may also require a follow-up inspections after required repairs are completed.

**Interest** - the amount of funds, either rate or dollar amount, charged by a lender to loan money. There are several types of interest (prepaid interest, interest rate, per diem interest either as prepaid or in computing payoffs, total amount of interest paid, total Interest as a percentage, etc.)

**Loan Application Fee** - a fee charged by a lender to make application for a loan. This fee varies between lenders.



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**Loan Estimate** - a new form under TRID implemented by CFPB in October 2015 for use in the process of certain mortgage loans. This replaces the Good Faith Estimate and Initial Truth In Lending issued by the loan officer/lender within 3 days of loan application. The Loan Estimate contains information regarding the terms of the loan and the charges at the onset to better inform consumers about expectations with regard to the costs of the loan.

**Loan Title Policy** - a title policy that insures the lender of a real estate transaction as to the validity and priority of their loan.

**Origination Fee** - a fee to originate a loan. It may be a percentage or a fee that includes other aspects of origination (processing, underwriting, etc.). Varies depending on lender.

**Owner's Title Policy** - a title policy that insures the new owner/buyer of a piece of real estate against losses for covered defects in title.

**Prepayment Penalty** - a fee charged for early payoff on a new or existing mortgage. Prepayment penalties must be disclosed and addressed in the mortgage instruments signed at closing.

**PMI/MIP** - a premium charged by the lender, either for themselves or a third-party investor or company, for insurance against the loss by a lender in the event of a default under the terms of the mortgage.

**Prorated Taxes** - the process of collecting taxes from the seller on a transaction and crediting to a buyer on the same transaction for the amount of taxes owed by the seller. Proration of taxes occurs during times of the year when taxes are not paid by the title company. Prorated taxes are based on certified figures available at closing, whether it be that year or the prior year. Any shortages will be between buyer and seller at the end of the year.

**Realtor Commission** - a percentage of the sales price charged on a real estate transaction for listing the property. In Texas, it is typically 6% but may be negotiated differently. This amount is only referenced on the listing agreement, which is not an available form to any other party. The buyer's agent receives a portion of that commission for selling the property, typically half (or 3%). That portion of the split is part of the sales contract on the page where the Realtors are listed.

**Recording Fees/Filing Fees** - fees charged to record documents in the Public Records of the county where a property is located. Fee is determined by the County and is based on the number of pages per document.

**Restrictions** - Restrictive covenants and requirements that limit or set specific regulations for properties based on the development or plat of a given subdivision, location or municipality.

**Survey** - a survey performed on the ground by a licensed surveyor of the lot and all improvements of a given property based on its legal description. The survey reflects all easements, encroachments, building lines, boundaries, distances and directions. A survey is required on most real estate transactions especially when a loan is involved. The contract dictates the need and provision for a survey and the party who pays.

**Tax Certificates** - documents obtained by the title company to determine certified tax figures. The tax certificates will not only provide the information as to the correct amount of the taxes for proration or collection, but will also reflect any outstanding taxes for payment and reflect tax status.



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