



HINTS FOR HOMEBUYERS

Settling The Confusion About Settlement Costs

(NAPSA)—Mortgage settlement—sometimes called mortgage closing—can be confusing. A settlement may involve several people and many documents and fees.

Settlement costs can be high, so it pays to shop around and negotiate with the seller, your lender, and your attorney or settlement agent. The less you have to pay in settlement costs, the more funds you will have for other things.

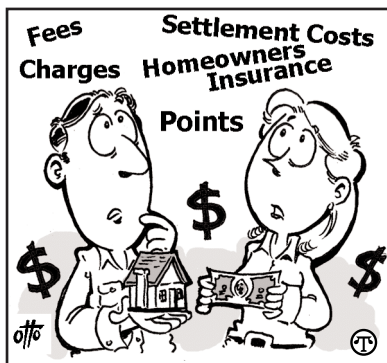
Different regions have different customs and practices regarding who pays for what at settlement. Buyers and sellers are free to negotiate certain fees.

In slow-moving real estate markets, the seller may agree to pay points or fees for the buyer. In fast-moving markets, the buyer may have to agree to pay more costs to close the deal.

Whatever you negotiate will become the sales contract. However, be careful; if some buyer's costs are shifted to the seller, it may increase the price you pay for the property.

You can reduce some settlement costs by shopping around for the services. The point is this: The more you know about the process, the better your chances are for saving money at settlement time.

Because practices vary from area to area, it is difficult to provide estimates for settlement costs that fit everywhere. However, one rule of thumb for buyers is to figure that settlement costs will be about 3 percent of the price of your home. In some relatively high-tax areas of the country, 5 percent to 6 percent is more common.



Try to negotiate settlement costs. The less you have to pay in settlement costs, the more funds you will have for other things.

Some settlement costs, such as homeowner's insurance, private mortgage insurance, or points, can be more expensive if your credit rating is low. Knowing your credit score can help you understand how lenders will evaluate your applications.

The experts at the Federal Reserve also offer these tips.

- Think about settlement fees before you submit your purchase offer.
- Remember many fees and charges are negotiable.
- Compare costs by shopping among several mortgage settlement providers.
- Talk with attorneys, mortgage lenders, real estate agents and other advisers for information about lending practices, mortgage instruments and your own interests before you commit to a specific loan.

For more information and a copy of a settlement cost work sheet, visit www.federalreserve.gov.