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Closing Fees Bite New York

By SHELLY BANJO

New York home buyers, who already pay among the highest home prices in the nation, now have a new concern: rising closing costs.

Average closing costs on a \$200,000 mortgage in New York State rose 67% this year to \$5,623, according to a survey released this week by Bankrate.com. That was 50% higher than the national average of \$3,741 and means that New York has the highest closing costs of any state.

Nationally, closing costs this year rose by nearly 37% over last year's average of \$2,739, according to Bankrate.com, which conducted the survey in July from online estimates.

The survey is based on what lenders refer to as "good faith estimates" of closing costs, which include fees for the lender, appraiser, attorneys and title companies, among others. The survey excludes property taxes, recording fees, homeowners insurance and a mortgage tax that in New York can run 1% to 2% of the sale price.

Banks and brokers say the climbing closing costs partly reflect the rising cost of doing business to comply with new state and federal regulations, as well as increased vigilance on the part of lenders that are scrutinizing mortgage applications closer than in the past.

Under Fannie Mae's so-called Loan Quality initiative, lenders must now check every applicant's tax and supporting documents against a transcript from the Internal Revenue Service.

Coming to a Close

Average closing fees for buying a home with a \$200,000 mortgage in New York state compared with the national average.

Lender origination fees	New York	National	New York difference
Points	\$529	\$494	+\$35
Application fee	343	343	0
Commitment fee	700	700	0
Document preparation	50	50	0
Mortgage broker, origination or lender fees	1,185	934	+251
Processing	395	493	-98
Tax services	69	70	-1
Underwriting	200	200	0
Wire transfer	25	25	0
Third-party fees			
Appraisal	\$359	\$377	-\$18
Attorney, closing or settlement fees	543	497	+46
Credit report	16	18	-2
Flood certification	8	8	0
Verification of employment	15	30	-15
Pest and other inspection	125	105	+20
Postage/courier	35	32	+3
Survey	930	363	+567
Title search and title insurance	2,925	1,687	+1,238

Source: Bankrate.com

They also must conduct fraud checks and pull credit reports after the application—practices that lenders say happened only occasionally during boom times.

"There's new regulation in the marketplace requiring multiple appraisals and more paperwork and those costs must be built into the cost of service, ultimately passing to consumers," says Keith Gumbinger, vice president of HSH Associates, a publisher of consumer loan data.

New York has occupied the top spot in expensive closing costs in five of the past six years. In 2009, title insurance costs in Texas, which are fixed by state regulators, pushed that state to first on the cost list.

But some of the jump in closing costs estimates may not actually reflect what consumers pay. New federal regulations enacted in January require lenders to provide borrowers with more accurate good faith estimates. Previously, many lenders would low-ball borrowers on the fee estimates only to surprise them with thousands of dollars in additional fees at the

closing table.

Now, lenders that misstate origination fees, even if it's an honest mistake, could incur penalties of thousands of dollars. In addition, some fees—such as appraisals and title service fees—may not rise more than 10% from their estimates at the time of closing.

To avoid problems, lenders and brokers are now overestimating fees. "The sticker price went up because lenders are now disclosing everything up front," says Richard Martin, a senior vice president at DE Capital Mortgage. He says many lenders are now adding a 10% buffer to their estimates.

In addition, to avoid driving consumers away, some lenders are covering some costs themselves or eliminating certain fees, such as the application fee.

That was the case for Angie Carlson, a publicist who closed on her one-bedroom condominium in Williamsburg, Brooklyn, last month. She paid upward of \$16,000 in closing costs, or equivalent to 4% of the apartment's \$405,000 sticker price.

"I'm originally from Minnesota and then bought in North Carolina, so I was surprised by how high the closing costs were in New York," Ms. Carlson says.

Of course, mortgage rates hovering at record low levels, which offsets some of the sting from rising closing costs. But even here, New Yorkers pay more.

The national average interest rate was 4.54% for 30-year conforming mortgages and 5.27% for jumbo mortgage for the week ended Aug. 20, according to Mr. Gumbinger. That compares with average interest rates in New York

of 4.60% for conforming mortgages and 5.46% for jumbo mortgages, which Mr. Gumbinger says are record lows since 1985 when he began tracking them.

Write to Shelly Banjo at shelly.banjo@wsj.com

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