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property taxes. A loan estimate provided when you apply for a mortgage should list an estimate of all costs you will face when closing on a house. Some of these items are fixed costs set by various entities, such as recording fees for the county courthouse, but others are negotiable because you have an opportunity to shop around for a better deal.

Average closing costs on a house

Average closings costs are between 3% to 6% of a home's purchase price. With 5% house closing costs, a buyer of a \$200,000 home would pay \$10,000. In 2018, closing costs nationwide averaged \$5,779 with taxes according to data from ClosingCorp. The highest average costs were \$24,613 in the District of Columbia while the lowest average of \$1,887 was found in Missouri.

Closing costs include fees for loan processing and underwriting, appraisal fees and survey fees used to assess the value of your home purchase, necessary insurances, mortgage points and closing fees for the escrow agent. Attorney fees and various sundry items, such as the cost of a credit report pull and registration fees, may also be added based on your location. Each item should indicate if the cost is set by a third party or eligible for comparison shopping. If there is a cost you do not understand, always speak to your lender for clarification or do additional research focused on the fee.

Ways to save on closing costs

Bill Banfield, Executive Vice-President of Capital Markets for [Quicken Loans](#), said there are options in the closing costs consumers can shop for, and they are flagged. Some items, such as title insurance, have a fairly standard rate despite being open for comparison shopping. Others, such as homeowners insurance, can lower overall costs at closing.

"It can vary quite a bit from one insurance provider to another, and how much your deductible and the types of coverage you have can swing the annual premium quite a bit," Banfield explained. "If you are escrowing for example, that will impact the amount of costs you have to bring to the table. Even if it is your money to

pay for these things on your behalf, it affects how much money you have to bring to the closing, so homeowners insurance is a good example of something people should shop around for.”

Discount points also present an opportunity to save on closing costs but must be considered more precisely before you opt out of purchasing. Discount points are equal to 1% of the value of your home loan and allow you to buy down the interest rate for the life of your loan. The amount of your interest rate discount is not set and varies based on the marketplace and your lender.

“You can change your interest rate and shop for an interest rate and the amount of points and fees that you want to pay,” Banfield said. “We have features on [Rocket Mortgage](#) that allow a consumer to select a drop down where they select a rate, and they can see how that affects the closing costs on a loan. If you go up in interest rate, you can sometimes get credits to offset part of the closing costs.”

Lender credits are the opposite of discount points. They provide a credit toward closing costs while raising your long-term interest rate. Depending on your lender, you may still have a lower interest rate with a lender credit than other competitors provide.

Tips for saving on closing costs when refinancing a home

Refinancing a home can be a smart move when the home has appreciated in value, equity has developed and a lower interest rate can be secured. According to CNBC, [closing costs on a refinancing mortgage](#) can run between 1% and 2% of the balance of your mortgage. If you cannot recoup that expense within a five-year period, it may not be the right time to refinance.

For homeowners who decide to take the plunge, you can still access lender credits by accepting a higher mortgage rate to reduce costs and negotiate other items on the loan. Searching out the lowest interest rates possible will give you wiggle room for accepting lender credits without reaching a high rate compared to the overall market.

“Whether you are buying or refinancing a home one of the best things you can do is call a lender or use Rocket Mortgage,” Banfield said. “Do a little bit of research. Have somebody pull your credit and take a look at what your FICO score is. If you have a credit score that is over 720 or 740, in that range, you are going to get a better rate than you would if you have a lower credit score. That would apply whether you are buying or refinancing a home. Credit score and the amount of equity you have in the home play a big part when you are trying to get a conventional loan.”

The truth about those no-closing cost mortgages

Closing costs can be added to the principal of your refinanced or original mortgage loan or to your interest rate through lender credits. When you do this, you may eliminate closing costs completely. However, a no-closing cost mortgage can carry long-term consequences, particularly if you opt for an interest rate hike.

No-closing cost mortgages work best for homeowners who plan to move within a five-year period and sell their home before the costs of added interest exceed the benefit of eliminating the upfront payment. For a planned sale in 12 to 15 months, a major cost savings may even be realized.

However, the option is popular with buyers with the credit for a home purchase and cash for a down payment but no excess capital for added costs. In these instances, using a no-closing cost loan gets you into the home, but unless you are able to refinance later at a significantly lower rate, you will spend thousands more over the life of the loan to avoid the upfront payment.

The bottom line

Closing costs are a substantial portion of your initial investment in home ownership. For many, the added fees can spell the difference between stepping into a dream home or returning to the starting line to save more cash. Work on reducing closing costs by reducing any flexible costs, such as insurance. After that, assess if it makes more sense for you to save now and spend more on interest later or increase your upfront costs for long-term reductions in your monthly payment and interest rate. There is not a universal right or wrong answer because each strategy fits for a percentage of homebuyers.

Meta: Saving on closing costs requires negotiating lower rates for flexible costs, such as insurance, and assessing whether you want to save now on fees or later on interest.