



STEP-BY-STEP GUIDE 6 OF 7

Closing Costs Step by Step: Estimate, Lower and Pay Them

A step-by-step plan for closing costs: read your Loan Estimate, shop the services you can, ask for seller credits, use assistance programs, and check your Closing Disclosure before closing day.

2%–5%

of the price, a common estimate

3 business days

to receive your Loan Estimate

6%

FHA and USDA seller credit limit

SUMMARY

Key takeaways

- 01

Budget about 2% to 5% of the price, and use the Cash to Close line on your Loan Estimate as your real number.
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- 02

Shop title, settlement and insurance; lender fees differ the most between lenders.
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- 03

Seller credits, lender credits and assistance programs can cover part of your costs.
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- 04

Check your Closing Disclosure three business days before closing and confirm wiring instructions by phone.

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02	Read your Loan Estimate
03	Shop the services you can
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Closing costs are the fees and prepaid items you pay to finish a home purchase, on top of your down payment. They are commonly estimated at about 2% to 5% of the price, but your state's taxes, your loan type and your lender move that number a lot. For a breakdown of what each fee is, read [what closing costs are and how much they cost](#). This guide is the step-by-step plan for estimating them, lowering them and paying them.

STEP 01 OF 07

Know the categories

Closing costs fall into a few groups:

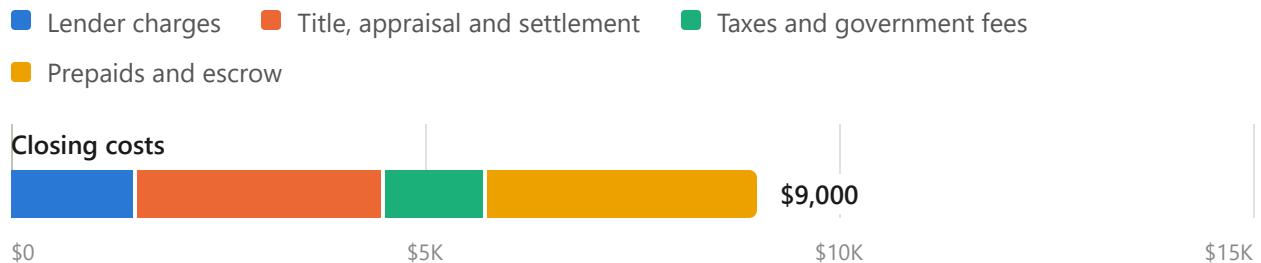
- **Lender charges.** Origination or underwriting fees, discount points if you buy them, and the credit report.
- **Third-party services.** Appraisal, title search, lender's title insurance, settlement or attorney fees, survey, and pest inspection where required.
- **Government fees.** Recording fees and, in many states, transfer taxes. Who pays transfer tax is set by local custom and your contract.
- **Prepaid items.** Prepaid mortgage interest from closing to month-end, the first year of homeowners insurance, and an initial escrow deposit for taxes and insurance.
- **Loan program fees.** FHA's 1.75% upfront mortgage insurance premium, the VA funding fee, or USDA's 1% guarantee fee. Each can usually be financed into the loan instead of paid in cash.

Owner's title insurance, HOA transfer fees and a home warranty may also show up, depending on your contract.

FIGURE 1

Where \$9,000 of closing costs might go

An illustrative split for a \$300,000 purchase (3% of the price).



Source: HouseBuyerGuides.com calculations. Illustrative only. Transfer taxes, title rates and prepaid amounts vary widely by state, county and closing date. Your Loan Estimate shows your own numbers.

STEP 02 OF 07

Read your Loan Estimate

Within **three business days** of your loan application, each lender must send a **Loan Estimate**. Page 2 lists closing costs in sections:

- **Section A, origination charges:** the lender's own fees
- **Section B, services you cannot shop for:** chosen by the lender, such as the appraisal
- **Section C, services you can shop for:** often title and settlement
- **Sections E to H:** taxes, government fees, prepaids, escrow and other costs

The **Cash to Close** line on page 3 is the number to budget for. Get Loan Estimates from two or three lenders and compare Section A side by side. That is where lenders differ most. The CFPB's [Loan Estimate explainer](#) shows every line.

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Shop the services you can

The Loan Estimate includes a list of providers for the Section C services. You can use one of them or choose your own. Getting quotes for title and settlement services can save a few hundred dollars. Ask whether your state sets title insurance rates; some do, and in those states you can't shop on price.

Also shop **homeowners insurance**. You pay the first year at or before closing, and premiums for the same house can vary widely between companies.

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Negotiate seller credits

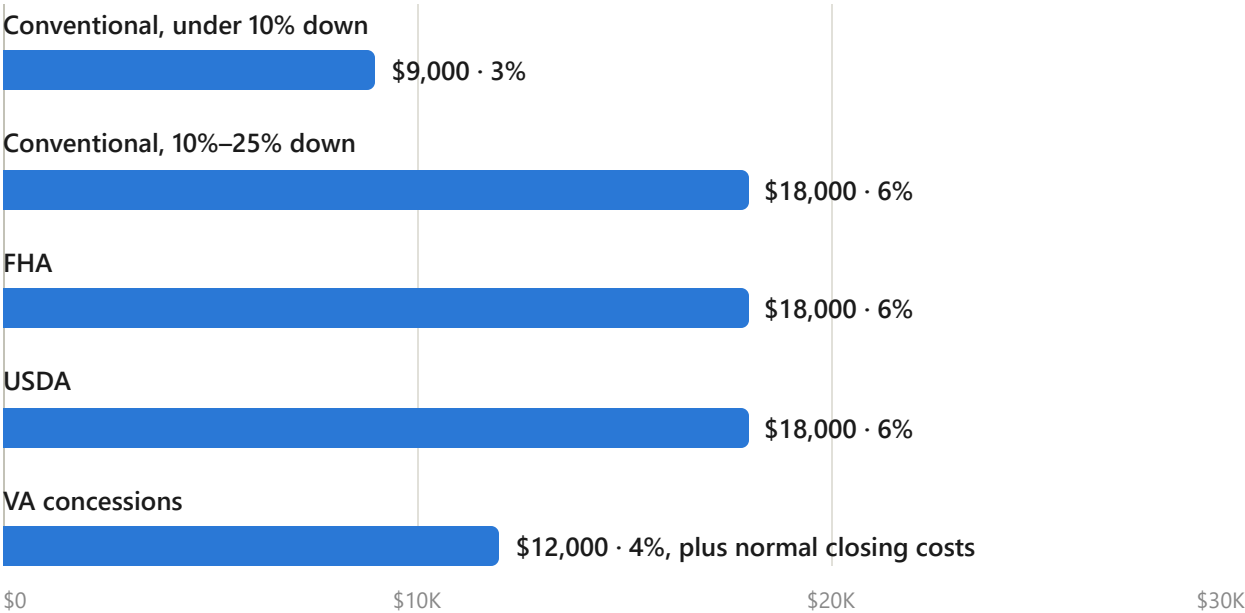
You can ask the seller to pay part of your closing costs as a **seller credit** (also called a seller concession), written into your offer. Each loan type caps the amount:

- **Conventional:** usually 3% of the price with less than 10% down, and more with larger down payments
- **FHA:** up to 6% of the price
- **VA:** the seller can pay all normal closing costs, plus concessions of up to 4% for other items
- **USDA:** up to 6% of the price

FIGURE 2

The most a seller can contribute on a \$300,000 home

Seller credit limits by loan type.



Source: HouseBuyerGuides.com calculations. Conventional: 3% of the price with less than 10% down, 6% with 10% to 25% down. FHA and USDA: 6%. VA: all normal closing costs, plus concessions of up to 4%. A credit can't exceed your actual costs. Confirm limits with your lender.

Confirm the current limit with your lender before you write the offer. A credit tends to work better in a slower market or when the inspection turns up repairs.

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Use assistance and lender credits

- **Down payment assistance.** Many programs cover closing costs as well as the down payment, or let money left over after the down payment go toward closing costs. Search your city or state on this site, or read the [down payment assistance guide](#).
- **Lender credits.** Accept a slightly higher rate, and the lender pays part of your closing costs. This helps most if you expect to sell or refinance within a few years.

- **Employer and lender grants.** Some employers, credit unions and banks offer closing cost grants, especially in certain census tracts.
- **Close near the end of the month.** That lowers prepaid interest, though it doesn't change your total loan cost.

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Check the Closing Disclosure

Your lender must send the **Closing Disclosure** at least **three business days before closing**. Compare it with your latest Loan Estimate:

- Lender fees in Section A generally cannot go up unless there was a valid change, such as you changed the loan.
- Some third-party fees can go up by no more than 10% in total.
- Prepays and escrow can change with the closing date and your insurance quote.

Ask your lender to explain any increase, and fix errors before closing day, not at the table. The CFPB's [Closing Disclosure explainer](#) walks through the form.

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Pay safely at closing

You usually pay cash to close by wire transfer or cashier's check. Your earnest money deposit is credited against the total.

Wire fraud is common in real estate. Before you send money, call your title company or closing attorney at a phone number you already know, not one from an email, and confirm the wiring instructions. Be suspicious of any email that says the instructions have changed.

Frequently asked questions

How much are closing costs?

They are commonly estimated at about 2% to 5% of the purchase price, but the real number depends on your loan, your state's taxes and fees, and your lender. Your Loan Estimate shows your actual estimate within three business days of applying.

Can the seller pay my closing costs?

Yes, through a seller credit you negotiate in the contract. Each loan type caps how much the seller can contribute, so ask your lender for the limit before you write the offer.

When will I know my final closing costs?

Your lender must give you the Closing Disclosure at least three business days before closing. Compare it line by line with your Loan Estimate and ask about anything that changed.

Can down payment assistance pay closing costs?

Many programs allow it. Some limit the money to the down payment, and others let any amount left over go toward closing costs or prepaid items. Check the program's rules.

Sources

Checked October 22, 2026.

1. **CFPB: Loan Estimate explainer**
<https://www.consumerfinance.gov/owning-a-home/loan-estimate/>
2. **CFPB: Closing Disclosure explainer**
<https://www.consumerfinance.gov/owning-a-home/closing-disclosure/>
3. **CFPB: Buying a House**
<https://www.consumerfinance.gov/owning-a-home/>
4. **VA: Funding fee and closing costs**
<https://www.va.gov/housing-assistance/home-loans/funding-fee-and-closing-costs/>
5. **HUD Mortgagee Letter 2023-05: FHA annual MIP reduction**
<https://www.hud.gov/sites/dfiles/OCHCO/documents/2023-05hsgml.pdf>

About this report

Written by Tyler Thompson, licensed real estate agent, for HouseBuyerGuides.com. Figures were checked against the official sources listed above on October 22, 2026. Charts are illustrative examples built from the assumptions stated under each one.

This report is for education only and is not financial, legal or tax advice. Loan rules, fees and assistance programs change. Confirm the details with your lender and the program administrator before you make decisions.

NEXT STEP

Find the down payment assistance programs that serve your city

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