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No fee refi -- for real?

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I see ads that say they charge "no fees" for refinancing, but I wonder whether that's the real deal. I don't want to roll up any closing costs into the amount financed. I just want to get a lower rate without having to pay anything. Is this do-able?

--Terry, Stockbridge, Georgia

First of all, you're right to be suspicious about many of the claims touted in mortgage refinancing ads. Some blare "NO POINTS" in big type, but then make up for the difference by charging an origination fee or by levying high charges for things like the application fee or title insurance or the attorney fee or various other charges.

Others may claim to charge "no fees," but what they really mean by that is that you don't pay the fees out of pocket -- they're rolled into your mortgage.

I don't mean to suggest that the mortgage lenders are necessarily out to deceive you. In some cases, there can be legitimate differences of opinion about what "no cost" or "no fees" means.

If a state levies a mortgage tax or other fee when you take out a new mortgage -- as my state, New York, does -- should that charge be paid by the lender in a "no fee" arrangement?

When I looked into refinancing my own mortgage lately, I found that virtually all of the lenders I spoke to expected me to foot the bill on the mortgage tax, despite their no-cost pledge, on the theory that this charge had nothing to do with their service or the mortgage itself.

I can see their point. But I can also imagine someone figuring that "no fees" or "no costs" means you come to the closing table without having to spend any cash at all.

Check the fine print first

Clearly, before you commit yourself to any mortgage, you want to know in writing and in detail what fees, if any, you will pay for, whether out of pocket or by having them thrown into the mortgage balance. For a look at the typical fees you might encounter and should specifically ask about, [click here](#).

You should also keep in mind that even if the lender picks up the loan costs, there may be other costs you will have to incur at closing -- payments to escrow accounts for insurance and real estate taxes, for example.

So, back to your basic query: Can you find "no fee" deals in which you don't have to actually pay anything? At the risk of being cute, the answer is yes and no.

Yes, you can find deals where you don't have to pay any out-of-pocket costs for the refinancing (with the possible exception of taxes or fees levied by your state or local government).

Again, you've got to be careful that the lender isn't simply increasing your mortgage by the amount of the fees you're supposedly not being charged, which case you're paying the costs over time (and paying interest on them). But it is possible to find no fee deals.

No free lunches, sorry

But if you mean by not paying anything that you escape mortgage closing costs completely, the answer is no. The fact is that there are costs above and beyond the mortgage rate to refinancing a mortgage.

The lender has to take an application, do a credit check, have someone do an appraisal, do a title search, pay for office space, etc. You can argue about how high such costs should be. But they are real costs. Which means that someone has to pay them. And, ultimately, it's you who pays.

If you don't pay in the form of out-of-pocket costs or by having the costs rolled into the mortgage amount, then the loan's costs will be reflected in the rate you pay.

That said, however, you still want to try to find the lowest rate possible. To do that, you should get rate quotes from several lenders charging no costs for the same type of loan (30-year fixed rate, 20 percent down, whatever).

You want to look at the annual percentage rate, or APR, for each loan. The APR includes the effect of any points -- essentially prepaid interest -- the loan may have, as well as some other charges. If the loans are truly no-cost loans, however, there should be no points or other charges. Which means the APR should be a pretty good basis of comparison for choosing the cheaper loan.

Now all you've got to do is begin looking for lenders to see which ones offer no-fee deals. You can start by checking our [Rate Watch](#) section to see which lenders offer competitive rates. You can then call those who do and ask if they offer a no-fee option. And, of course, you can check the advertisements in your local newspaper. Just be sure that "no fees" really means no fees.

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