

Paying Points



When exploring mortgage options you'll find quotes from lenders that include both loan rates as well as "points." **A point is a fee equal to 1% of the loan.** A 30 year, \$200,000 mortgage might have a rate of 7%, but come with a charge of 1 point, or \$2,000.

There are two kinds of points borrowers can pay:

Origination points:

These are charged by the lender to cover the costs of making the loan. They are not tax-deductible.

Discount points:

These are actually pre-paid interest on the mortgage. The more points you pay, the lower the interest rate on the loan and vice-versa. Borrowers typically can pay anywhere from 0 to 4 points, depending on how much they want to lower their rates. This kind of point is tax-deductible.

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