While interest rates are slowly going up after reaching record lows in 2010, they still remain low enough for people to consider refinancing their current mortgage or purchasing a new home.

Besides considering interest rates, current or prospective homeowners should also understand the variety of fees associated with securing a mortgage. Most closing fees are actually pass-through fees, meaning the money goes to third parties, such as government entities, other financial institutions or title companies. These fees are paid when closing, or finalizing, your mortgage.

Here's an explanation of some of those closing fees and what they cover:

- Application fee. According to the Federal Reserve Board, institutions charge between $65 and $640. Some, like Mid American, charge lower fees. At Mid American, we charge a nominal fee of less than $20 for processing your credit report to start the application process.
- Origination fees. These fees cover underwriting, document preparation and costs to deliver paperwork to other financial institutions.
- Title fees. In order to process a mortgage, a property's title must be free and clear of any liens or claims. A title company is hired to check this.
- Registration and tax fees. The cost of these fees is related to the amount of the mortgage loan. These fees cover the processing of showing ownership and paying property taxes to the county.
- Recording fees. All properties must be recorded with the register of deeds, a government entity.
- Appraisal fees. The value of the property has to be determined, since it plays a part in your mortgage and equity, as well as how your property tax is assessed.
- Points. One can purchase "points" to lower a mortgage interest rate. The industry standard is that the cost of each point is 1 percent of the loan amount. For example, on a $100,000 loan, one point would cost $1,000. Whether one should buy points depends on how long they intend to keep the loan.