

## Closing Costs

Closing costs are the bundle of fees associated with the buying or selling of a home. Certain fees are automatically assigned to either the Buyer or the Seller. Other costs are either negotiable or dictated by local custom.

### **Buyer Closing Costs**

When a Buyer applies for a loan, Lenders are required to provide a good-faith estimate of their closing costs. The fees vary according to several factors, including but not limited to, the type of loan and the terms of the purchase agreement. The fees associated with the loan application, are typically paid in advance.

### **Typical Buyer Closing Costs**

- The down payment
- Loan fees (points, application fee, and credit report)
- Prepaid interest
- Inspection fees
- Appraisal
- Mortgage insurance
- Hazard insurance
- Title insurance
- Recording of the note

### **Seller Closing Costs**

If the Seller has not yet paid for the house in full, the Seller's most important closing cost is satisfying the remaining balance of the loan. Before the date of closing, the closing attorney will contact the Seller's Lender to verify the amount needed to close it out. Then, along with any other fees, the original loan will be paid at the closing.

### **Typical Seller Closing Costs**

- Broker's commission
- Transfer taxes
- Documentary Stamps on the Deed
- Title insurance
- Property taxes (prorated - see proration's below)

### **Negotiating Closing Costs**

In addition to the sales price, Buyers and Sellers frequently include closing costs in their negotiations. This can be for both major and minor fees.

Likewise, a Buyer may want to save on up-front expenditures, and agree to pay the Seller's full asking price in return for the Seller paying all the allowable closing costs. There's no right or wrong way to negotiate closing costs; just be sure all the terms are on the purchase agreement.

**Prorations**

At closing, certain costs are prorated between Buyer and Seller. The most common prorations are property taxes and Home Owner Association (HOA) fees.

Example: If a house is sold in June, the Sellers will have lived in the house for half the year, but the bill for the taxes won't come due until the end of the year. The Sellers will credit the Buyers for half the taxes at closing then the Buyers will pay the entire tax bill.