Understanding CLOSING COSTS

When buying or selling a home, there are several costs involved beyond just the purchase price. Your Realtor® and lender will provide a more detailed breakdown specific to your transaction. Some of these fees may not be a part of your transaction and there may be other fees not listed below.

*Please note that total closing costs for buyers, including loan costs, are typically 2.5% to 3% of the purchase price.

Fees Typically Paid by the Buyer

1. LOAN-RELATED FEES:

- **Credit Report Fee** – Charged by the lender to check credit history for the loan pre-approval process.
- **Loan Origination Fee** – Lender fee to process loan application and secure loan.
- **Processing Fee** – Lender fee to process loan application and secure loan.
- **Administrative Fee** – Lender fee to process loan application and secure loan.
- **Underwriting Fee** – Lender fee to process loan application and secure loan.
- **Flood Certification Fee** – Lender fee to determine if the home is in a flood zone.
- **Tax Service Fee** – Lender fee to ensure timely payment of property taxes, includes the cost of acquiring the tax data, paying taxes, and managing the escrow account.
- **Discount Points/Rate Buy Down** – Optional upfront payment to lower the interest rate.
- **Mortgage Insurance Premium (MIP)** – May be required if the down payment is not sufficient and/or loan is a government backed loan. Protects the lender if buyer fails to make their mortgage payments.
- **Appraisal Fee**– Covers cost of assessing home's value. Buyer can waive if purchasing with cash. (Can be negotiable.)

2. DUE DILIGENCE PERIOD:

- **Home Inspection** – Paid directly to the inspector at the time of service.
- **Septic Pump & Inspections** – Ensures the septic system is pumped and functioning properly.
- **Well Water Productivity & Potability Tests** – Confirms the well's water flow and safety for consumption.
- **Land Survey** – Confirms property boundaries (if required).
- **Other** – Costs of other inspections buyer elects to have performed.

3. TITLE FEES:

These fees cover the title company's services such as title searches, managing escrow accounts, reviewing documents, facilitating closings, disbursing funds, and ensuring a smooth and legal transfer of property ownership.

- **Title Insurance (Lender's Policy)** – Required by the lender to protect against title disputes.
- **Additional Title Insurance** – Sometimes called enhanced or extended coverage. Provides protection beyond standard policies and can protect against any mechanics liens.
- **Closing Escrow Fee** – Both buyer & seller pay a closing escrow fee.
- **Other Fees** – Recording, courier, notary and wire processing fees may be assessed at closing

4. ADDITIONAL COSTS PAID AT CLOSING:

- **Down Payment** – Buyer payment that is not included in the mortgage loan
- **Prorated Costs/Adjustments** – Calculated based on date of ownership change and can include Property Taxes, HOA dues, Irrigation, and utilities.
- **Pre-Paid Costs** – Upfront costs for future expenses could include property taxes, homeowners insurance, and mortgage interest.
- **Wire Fees** – Fees the borrower's personal bank may charge to wire funds.
- **HOA Transfer/Set Up Fee** – Homeowners Association hired to enforce CCR's (Covenants, Conditions & Restrictions). Fees associated with transferring or setting up membership. (If applicable, can be negotiable.)

5. OPTIONAL COSTS:

- **Home Warranty** – Optional coverage that may protect home systems & appliances from unexpected repairs.

6. REAL ESTATE COMMISSIONS:

- **Agent/Realtor® Commissions/Fees** – Are not set by law and are negotiable. Often the seller is willing to negotiate to pay the buyer's agent fee.

Fees Typically Paid by the Seller

1. PRE-SALE PROPERTY PREPARATION:

- **Pre-List Home Inspection** – Some sellers opt to have one performed prior to listing (optional).
- **Septic Pump & Inspections** – Ensures the septic system is pumped and functioning properly.
- **Well Water Productivity & Potability Tests** – Confirms the well's water flow and safety for consumption.
- **Land Survey** – Confirms property boundaries (if needed/ required).
- **Other** – Costs of other inspections seller may choose to have performed (i.e. HVAC service, roof inspection, chimney inspection).

2. BUYER INCENTIVES & NEGOTIABLE COSTS:

- **Appraisal Fee** – Buyer may ask seller to cover this cost.
- **Home Warranty** – Optional coverage that may protect home systems & appliances from unexpected repairs. Buyer may ask the seller to purchase one for the buyer at closing.
- **Seller Concessions** – The seller may agree to offer concessions to cover all or some of the buyer's closing costs during contract negotiations.

3. TITLE FEES:

These fees cover the title company's services such as title searches, managing escrow accounts, reviewing documents, facilitating closings, disbursing funds, and ensuring a smooth and legal transfer of property ownership.

- **Title Insurance (Owner's Policy)** – The seller is typically responsible for paying for the owner's title insurance policy, which protects the buyer against potential title issues, as it's seen as a cost associated with ensuring a clear and valid transfer of ownership.
- **Closing Escrow Fee** – Both buyer & seller pay a closing escrow fee.
- **Other Fees** – Recording, courier, notary and wire processing fees may be assessed at closing.

4. ADDITIONAL COSTS PAID AT CLOSING:

- **HOA Transfer/Set Up Fee** – Homeowners Association hired to enforce CCR's (Covenants, Conditions & Restrictions). Fees associated with transferring or setting up membership. (If applicable, can be negotiable).
- **Prorated Costs/Adjustments** – Calculated based on date of ownership change and can include property taxes, HOA dues, irrigation, and utilities.
- **Wire Fees** – Fees the borrower's personal bank may charge to wire funds.

5. REAL ESTATE COMMISSIONS:

- **Agent/Realtor® Commissions/Fees** – Are not set by law and are negotiable. Seller pays listing agent fee and often negotiates to pay buyer's agent fee.