

Closing Costs



Coldwell Banker Bain | Seal

Closing Costs 101

Here's what you'll have to pay before your new house becomes yours.

You've got your down payment and you've got your mortgage too. You're even wearing your best Sunday suit. But if you don't have the closing costs when you come to the settlement table, you're not getting the keys to your new castle.

What are closing costs?

Closing costs are the fees that lenders and other third parties charge to complete your real estate transaction and they can include financing costs, recording fees, taxes, points and more. As a rule, closing costs run about 3% to 6% of your home's price; on a \$200,000 house, that's anywhere between \$6,000 and \$12,000, and it's money you have to pay at settlement.

Estimating your closing costs

Your lender will have given you a good faith estimate (GFE) of the settlement fees within three days after applying for your loan. But these estimates of mortgage-related closing costs are just that, estimates, and can legally change by up to 10% by the time of closing, potentially adding thousands of dollars to what's due. At closing, you will be required to sign a final settlement statement, also known as a HUD-1. By law, you can ask for a copy of this statement within 24 hours of your closing. Compare the costs on the HUD-1 with those on your GFE – the fees should compare very closely to one another. Ask your lender to explain anything you don't understand, and go over each line item and find out why it is needed. Often, many fees are negotiable and some are completely unnecessary.

Common closing costs

Closing costs will vary based on where you live and the home you buy but typically include:

- A credit report fee
- A loan origination fee (what lenders charge to process your loan's paperwork)
- Attorney fees (if applicable)
- Charges for any inspection required or requested by you or the lender
- Discount points (fees you pay in exchange for a lower interest rate)
- Appraisal fee
- Survey fee (to verify your property lines)
- Title insurance
- Title search fees (check for unpaid mortgages or tax liens on the property)

- Escrow deposit
- Recording fee
- Underwriting fee
- Wire fees
- State, county or city transfer taxes
- Notary

At the table

Keep in mind that before you can get the keys to your new house, you'll have to pay the closing costs. Bring a cashier's or certified check to your settlement meeting or arrange to have the closing costs wired to your escrow office. Buyers who negotiate having the seller assume all or part of their closing costs can avoid this out-of-pocket expense. All others have to pony up. Be prepared so you don't come up short when you're this close to becoming a homeowner.

