Costs of closing:

What to expect

There are certain basic expenses linked to closing the sale of a house. These fees are usually split between the buyer and seller, as dictated in the sales contract. Many are conventional, but there are nuances to each, so you'll want a real estate expert to help lead you through your process.

Loan-related closing costs

- Points (optional)
- Interest payment
- Appraisal fee
- Escrow Account
- Credit report

Taxes commonly paid

- Property taxes
- Transfer taxes and recording fees

Property taxes

This is the one closing cost that is often prorated between the buyer and seller. If the seller has already paid the annual property taxes, the buyer typically reimburses the seller for the period in which the buyer will be occupying the property. Likewise, if the taxes have not yet been paid, the seller typically reimburses the buyer for the period in which the seller occupied the property.

Transfer Taxes and Recording Fees is the cost for transferring ownership of the property and recording the purchase documents. The fee is often calculated as a percentage of the sales price.

At closing, these fees are often due:

- Homeowners Insurance
- Title Insurance
- Flood or Quake Insurance (optional)
- Private Mortgage Insurance (PMI) (optional)

Sellers:

As we negotiate your sale, I'll not only work to get the very best sales price, but I'll also campaign for limited closing costs. And once we've reached an agreement, I'll describe in detail the closing costs so you are informed of exactly where your money is going.

Buyers:

If you are buying a house, you will receive a "Loan Estimate" (LE) of closing costs within three days of submitting your loan application. The estimate is based on the loan officer's previous experience and is required to be within a reasonable range so you're not surprised when you show up at the closing table. I'll be glad to review the LE with you, answering your questions and highlighting any estimates that appear to be out of the ordinary.

Loan related closing costs

Appraisal fee — The fee for having the house appraised may be incorporated into the closing costs or payment may be required by the lender at the time the loan application is submitted.

Credit report — The lender uses a credit report to determine the creditworthiness of the loan applicant. This fee is often paid when the loan application is submitted.

Escrow account — At closing a payment may be required to fund the escrow account if the lender is paying home insurance, property taxes and/or other expenses out of the escrow account.

Interest payment — Typically the buyer is required to pay interest on the mortgage loan to cover the time between the closing date and when the first mortgage payment period begins. For example: If closing is on May 15. Your first monthly payment begins to accrue interest on June 1 with your first mortgage payment due July 1. At closing an interest payment covering the accrual period between May 15 and May 31 may be required.

Loan origination fee — This covers the administrative expenses in setting-up and processing the loan. The loan origination fee may be a percentage of the mortgage amount.

Points (optional) — An option for the home buyer is to pay points to lower the interest rate at which the loan will be repaid. Each point equals 1 percent of the mortgage amount. For example: on a $150,000 loan, 1 point would equal $1,500.