REAL ESTATE EDUCATION SERIES

RE/MAX Properties

Understanding Closing Costs

Plan for the expenses beyond the purchase price

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Closing costs are the fees, prepaid expenses, and adjustments involved in completing a real estate transaction. The amount and who pays depend on the loan, property, location, and contract. Some expenses are paid before closing; others appear on the settlement statement.

01 Loan and lender-related charges

Financed buyers may pay origination, processing or underwriting fees, credit-report charges, and optional discount points to reduce the interest rate. Depending on the loan program, mortgage insurance or a funding or guarantee fee may also apply. Ask for an itemized estimate.

02 Appraisal, inspections, and property reviews

An appraisal may be required by the lender. Home inspections, radon tests, sewer scopes, surveys or improvement location certificates, and specialized reports may add costs. Many are paid before closing and still belong in your overall purchase budget.

03 Title, settlement, and recording fees

Common charges include title searches, title insurance, closing or settlement services, and recording documents. A lender's title policy protects the lender; an owner's policy protects the owner, subject to its terms. Transfer taxes or local fees may apply in some locations.

04 Prepaid expenses and escrow deposits

Buyers may prepay interest and insurance premiums and fund an initial escrow account for future taxes and insurance. These amounts differ from service fees. Tax, HOA, rent, or utility prorations adjust amounts between buyer and seller based on the contract and closing date.

05 Brokerage, association, and seller expenses

Broker compensation depends on the applicable agreements and contract. HOA document, transfer, or working-capital charges may apply. Sellers may pay agreed concessions, title or closing charges, and prorations. Mortgage payoffs and liens also reduce seller proceeds but are not all closing fees.

06 Additional costs depend on the transaction

This is a general outline, not a complete list. Condominiums, rural property, new construction, investment or commercial property, cash purchases, and special loan programs may involve different or additional charges. Ask about assessments, legal work, and transaction-specific requirements.

CLOSING COSTS ARE NOT THE SAME AS CASH TO CLOSE

Cash to close also accounts for the down payment, deposits already paid, credits, and adjustments. Review your Loan Estimate and Closing Disclosure, when applicable, and settlement statement with your lender, closing company, and Doug Petersen. Ask who pays each item and when it is due.