

Common Closing Costs for Buyers

The lender must disclose a good faith estimate of all settlement costs. A check to cover your closing costs will probably have to be a cashier's check. Typically these costs (excluding the down payment) should not exceed 2% of the purchase price of the home, however certain loan programs can have more upfront costs associated with them. The down payment on the home, less any earnest money put up with the offer, will also have to be paid at the time of closing. The title company conducting the closing will tell you the required amount for:

Loan origination fees

Points, or loan discount fees, you pay to receive a lower interest rate

Appraisal fee

Credit report

Private mortgage insurance premium

Insurance escrow for homeowners insurance, if being paid as part of the mortgage

Property tax escrow, if being paid as part of the mortgage. Lenders keep funds for taxes and insurance in escrow accounts as they are paid with the mortgage, then pay the insurance or taxes for you.

Deed recording fees

Title insurance policy premiums

Survey

Inspection fees—building inspection, radon test, etc.

Notary fees

Prorations for your share of costs, such as utility bills and property taxes

A note about prorations: Because such costs are usually paid on either a monthly or a yearly basis, you might have to pay a bill for services used by the sellers before they moved. Proration is a way for the sellers to pay you back or for you to pay them for bills they may have paid in advance. For example, the gas company usually sends a bill each month for the gas used during the previous month. But assume you buy the home on the 6th of the month. You would owe the gas company for only the days from the 6th to the end for the month. The seller would owe for the first five days. The bill would be prorated for the number of days in the month, and then each person would be responsible for the days of his or her ownership.



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