

# Things to know CLOSING

**The day that we've all waited for...It's CLOSING DAY!**

## **What's involved?**

On the closing day, you will present your receipt for the homeowners' insurance policy. Then the closing agent will detail how much the buyer and seller owe to each other (based on different expenses like prepaid taxes, down payment, unpaid taxes, inspection charges etc.).

Then comes the time to sign the contract, where you sign the mortgage and agree that if you do not make the payment, the lender can sell the property and charge the buyer for any expenses relating to the sale. The buyer will then receive the title to the house from the seller. This title will be in the form of a signed deed. The deed and mortgage then have to be recorded in public records, which is the State Registry of deeds and recording you as the homeowner.

## **Here is a list of steps that need to be completed for the close:**

*Note: The details of closing, including what documents and fees are required, who conducts the meeting, and even who attends the meeting vary a great deal from state to state.*

### **THE LISTING AGENT (SELLERS SIDE)**

- Coordinate repairs and coordinate the repair process
- Provide complete disclosures
- Sign-off

### **THE BUYER'S AGENT AND/OR LOAN OFFICER**

- Schedule the appraisal
- Attend the appraisal
- Attend the inspection
- Review all the property paperwork
- Sign-off
- Walk through: This is where the buyer completes a physical inspection of the property to ensure that the repairs have been completed

## **Understanding Closing Costs**

Closing costs will differ in different cities and counties. These costs are typically between 3% to 5 % of your loan amount and encompass the following categories: lenders fees (all expenses relating to the loan process), escrow, external party fees (all expenses paid to skilled/certified professionals like appraisers, contractors, certifiers and insurance professionals), Government or Public fees (towards taxes, deeds and related paperwork and recording information).

Here are the common expenses that make up most of the closing cost: escrow fees, lenders points, title search, insurance, property taxes, agent commissions, appraisal fee, loan origination fee, homeowner's insurance policy (prepaid), recording fee, survey fee etc.

**Here are some of the common fees that you may come across:**

- **ADMINISTRATIVE FEE:** This is usually a flat fee that can range between \$ 50 and \$100.
- **INDEPENDENT APPRAISAL FEE:** Find the value of the house you are about to purchase. The fee could range from a low of \$400 to a high of \$ 1200.
- **BROKER FEE:** Most brokers will either charge a fee or appropriate part of the interest rate or the processing fee for the services provided.
- **BROKER PROCESSING FEE:** This account's for the cost in processing the file for getting your loan and it may range between \$400 and \$ 500.
- **COURIER FEE:** Most lenders use couriers to ensure delivery and signing of contracts and settlements. This fee may be separate, or it may be part of the administration fee.
- **CREDIT REPORT FEE:** The lender will run many credit reports to check your credit history. They will then transfer these costs to you, which could be in the range of \$ 50 - \$ 100.
- **TAX FEE:** If the lender hires a tax agency to monitor your tax payments, then you will be charged a fee for it and it could range from \$ 40 to \$ 180.
- **ESCROW FEES:** A neutral third party handles an escrow, which is the title company. The role of the title company and the escrow officer is to coordinate the logistics of the sale like financials, paperwork, and bill pay and title record. The charge for these services is called an escrow fee, settlement fee or closing fee.
- **LENDERS POINTS:** The lender imposes a charge in connection with the loan. Normally a point is equal to 1 % of the loan amount. A mortgage of \$ 150,000 the point would be \$ 1,500.
- **LOAN ORIGATION FEE:** This covers the lenders administrative costs.
- **INTEREST ON ESCROW ACCOUNTS:** Here are some of the states in which lenders have to pay you interest on escrow accounts: *California, Connecticut, Iowa, Maine, Maryland, Massachusetts, Minnesota, New Hampshire, New York, Oregon, Rhode Island, Utah, Wisconsin and Vermont.*
- **OTHER COSTS:** Property taxes, interest, recording fee, survey fee, home owners insurance policy for which the receipt is required and title insurance (for you and the lender).

Here is a list of some of the things the buyer can expect to get at the closing. This information is based on the HUD -1 form (Source - The US Department of Housing and Urban Development)

- Truth-in-lending statement
- Mortgage note
- Mortgage or deed of trust
- Binding sales contract
- Keys to the new home

*This chart shows estimated costs for a \$250,000 conventional loan. Your costs will likely look a lot different based on loan type, loan amount, and your geographical area.*

Ask your lender for a detailed estimate of closing costs. For a list of **estimates and approximate** range of closing costs, please refer to the table below:

<b>FEES</b>	<b>APPROXIMATE COST</b>
Loan Origination fee	\$ 2,500 (1%)
Discount fee	\$ 625 (0.25%)
Processing fee	\$ 450
Underwriting fee	\$ 500
Credit report fee (more than one source)	\$ 50 - \$100
Courier fee	\$ 20
Appraisal fee	\$ 450
Escrow / Signing fees	\$ 450
Title insurance fees	\$ 550
Recording fee	\$ 110
Flood certification	\$ 300 - \$ 500
Homeowner's Insurance premium	\$700
6 Month's Property Tax Reserves	\$1500
<b>Total estimated average</b>	\$ 8205 estimate (for a \$ 250000 mortgage)

*This is just an illustration.*

- ❖ **Be sure to check out our Milestone Manager Guided Journal to keep you organized during your home buying process. [www.milestonemanager.co](http://www.milestonemanager.co)**

*"All information in this report is deemed reliable but not guaranteed."*