

Understanding Closing Costs

Buying a home is one of the most monumental moments in our lives. It is a time that requires incredible planning, budgeting and saving. However, one factor many forget to include in their spending is closing costs.

Especially for first-time buyers, it is crucial to familiarize yourself with the extra expenses due before a deal is complete.

Typical homebuyers should expect to pay between 2 and 5 percent of the home's purchase cost in closing fees, according to the real estate experts at Zillow. Depending on the negotiated price of a property, this expense can be substantial. Don't find yourself blindsided during the final agreement with fees for which you weren't prepared.

Establish a plan to cover closing costs once you realize the ins and outs of your responsibilities.

WHAT DO CLOSING COSTS COVER?

The final expenses due at the close of your home-buying experience include lender and third-party fees. Typically, these expenses cover both nonrecurring fees and the first installment of recurring fees. Here are a few examples of each type, from the professionals at Trulia.

Recurring costs: Ongoing payments you will be initially

charged for and will continue to be your responsibility as a homeowner include property taxes and homeowner's insurance.

Nonrecurring costs: One-time fees including home inspection charges, document preparation and appraisal expenses. Keep in mind, these costs will include nearly every type of transaction performed during the buying process.

A reliable real estate agent is a great teammate to help plan for what you should expect during your unique buying experience.

WHO IS RESPONSIBLE FOR COSTS?

Most of the closing costs fall

under the responsibility of a buyer. However, the seller is usually expected to cover the expenses of each party's real-estate agents involved in striking a deal.

In many cases, a homebuyer can use the final fees as a negotiation strategy.

If you plan to ask a seller to cover most of the cost, here are some tips to make the offer more attractive.

Make a quick deal. It's likely that a seller is contemplating several offers and oftentimes, money isn't the only factor that matters. Especially if they are motivated to sell, a short 30-day close can be more enticing than deals with longer terms.

Don't ask for too much.

While you shouldn't dismiss asking for alterations to a property, if you are over-demanding, a seller may not be apt to work with negotiating closing fees. Consider which repairs or changes are actually necessary before bringing them up.

NO CLOSING FEE DEALS

During your house-hunting search, you may find homes listed with offers with no closing fees attached. Unless a seller has already agreed to cover the expenses, remember, the costs don't merely disappear.

In most cases, these deals mean there are no fees

REAL ESTATE 101

Change Happens

You may receive revised loan estimates during the process of having your loan application approved, indicating some of the loan costs have changed. Stay alert from communications from your lender about any changes, both by email and by postal mail. According to the Consumer Financial Protection Bureau, if you can't tell what has changed or don't understand something, ask questions of your loan officer right way, including the following:

- Why did I receive a new loan estimate?
- How is my loan different from what I was originally expecting?
- How does this change my loan amount, interest rate, monthly payment, other loan features, and cash to close?

required at the time of closing. Typically, a lender will include the costs in the overall amount of your loan. You should expect higher-interest rates or an increased monthly payment. These agreements often take more than five years to recoup the cost of closing.





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HOMEWISSE GLOSSARY

Endorsement: addition to or modification of a title insurance policy that expands or changes coverage of the policy, fulfilling specific requirements of the insured.

SOURCE: Homeclosing101.org

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