

Understanding Closing Costs

Buying a home is often a lot of fun early on, when we're more focused on finding just the right neighborhood and then imagining how you'll occupy a new space. Unfortunately, the last step in the process — colloquially described as “closing on a house” — can sometimes be a huge stumbling block.

You don't have to be a first-time buyer to find yourself in a difficult situation, in particular if you haven't taken closing costs into account. Here's an in-depth look at closing costs.

WHAT ARE CLOSING COSTS?

There are various additional expenses that are built into a home sale, and they must be addressed before the agreement is finalized. Typically, you can expect to pay between 2% to 5% of the purchase price in closing fees, according to real estate experts. Obviously, depending on our final negoti-



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REAL ESTATE 101

Managing Monthly Mortgage Payments

Need help managing your monthly mortgage payments? Your monthly statement has information that you can use to stay on top of your mortgage payment. The Consumer Financial Protection Bureau has put together a checklist of other helpful tips at bit.ly/3juBmas.

ated price, these last-minute fees can end up being quite substantial. That's why it's best to understand what you're paying for, and make a contingency plan. You don't want a deal to fall through during the final moments before you weren't prepared.

WHAT DO THEY COVER?

Lender and third-party fees — including attorney costs — are due as part of

closing on a house. Some nonrecurring expenses and installments of certain regular fees are also typically included. One-time bills might include appraisal expenses, document preparation and home-inspection charges, while your on going payments are for things like homeowner's insurance and property taxes. Any other related transaction from throughout the buying pro-

cess can end up on this final balance sheet, as well. Consult your real estate agent early on and then stay in contact with your loan officer as all of this unfolds, and they'll help guide you through it.

WHO PAYS CLOSING COSTS?

They're typically shouldered by the buyer, though there are some cases in which

the seller covers some closing costs. For instance, the seller might pay the real estate agents. Homebuyers might also use closing costs, or a portion of the closing costs, as a negotiating tool during purchasing negotiations. Just understand that if you intend to ask for closings costs, sellers might be less apt to make wholesale repairs to the available property. Sometimes shortening the closing period can help make one buyer's offer more attractive than others.

BE READY FOR ANYTHING

Even attentive buyers can find themselves surprised by the final numbers when buying a house. Some people have been fooled by so called “no closing fee deals,” in which sellers seemingly agree to cover these expenses. But the costs remain; they're just built into the overall amount of your loan — meaning an increased monthly payment and perhaps a higher interest rate. Loan estimates can also fluctuate as the application process moves forward. As your closing day draws near, the main point of contact becomes your loan officer. They will be able to discuss any changes to your loan, interest rates, monthly payments and how much cash you'll need to close.



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HOMEWISSE GLOSSARY

Mechanics lien: A financial claim created to enforce payment for work performed and materials provided on either building, repairing or improving a structure. SOURCE: MLS.com

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