

Common Closing Costs for Buyers

The lender must disclose a Good Faith Estimate of all settlement costs. To cover closing costs, a Cashier's Check or Bank wire is required. Typical closing costs include:

- Downpayment
- Loan origination fees
- Points, or loan discount fees – paid to lower interest rate
- Appraisal fee
- Credit report
- Private mortgage insurance premium
- Escrow account charges
 - (This account is set up if you have elected to have your mortgage company collect funds from you and pay in your behalf annually)
 - Homeowners Insurance
 - Property taxes
- Deed recording fees
- Title insurance policy premiums
- Survey
- Inspection fees—building inspection, termites, etc.
- Notary fees
- Prorations - your share of costs such as utility bills, insurance and property taxes.

***Prorations.** Since utility bills, insurance and property taxes are usually paid on either a monthly or 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, taxes are paid on a yearly basis in December for the next calendar year. If you buy a house in August, you would owe taxes for 5 months of the year in which you plan to live in the house. The seller would owe for the first 7 months in which the seller lived in the house. The bill would be prorated for the number of months in the year, and then each person would be responsible for the months of his or her ownership.

What to Keep From Your Closing

- **Real Estate Settlement Procedures Act (RESPA) statement, also called a HUD 1 statement,** itemizes all the costs associated with the closing. This will be useful for income tax purposes and for capital gains purposes when you sell the home.
- **Truth in Lending Statement** summarizes the terms of your mortgage loan.
- **The mortgage and The Note** (two pieces of paper) spell out the legal terms of your mortgage obligation and the agreed-upon repayment terms.
- **The deed** transfers ownership of the property to you.
- **Affidavits** swearing to various statements by either party. For example, the sellers will often sign an affidavit stating that they have not incurred any liens on the property.
- **Riders** are amendments to the sales contract that affect your rights. For example, if you buy a condominium, you may have a rider outline the condo association's rules and restrictions.
- **Insurance Policies** provide a record and proof of your coverage.