



## CLOSING COSTS

Closing costs amount to approximately 11% of the total sales price of a home, according to the California Land Title Association. These charges usually include a real estate commission, loan fee, escrow charge, title insurance premium, pest and other inspections, and costs for other services provided during the closing process. Below is a list and definition of common closing costs.

### **SALES/BROKER'S COMMISSION**

The commission is typically a percentage of the selling price of the home and usually paid by the seller. Often two realtors, the buyer's agent and the seller's agent, and their respective brokerage companies split the commission.

### **LOAN FEES**

These are fees that the lender(s) charges to process, approve and make the mortgage loan.

### **LOAN ORIGATION FEE**

Sometimes called a "point" or "discount points", a loan discount is a one-time charge imposed by the lender or broker to lower the interest rate at which the lender or broker would otherwise offer the loan to you. Each "point" is equal to one percent of the loan amount.

### **APPRAISAL FEE**

The charge, which may vary significantly for different properties, pays for a statement of property value for the lender, made by an independent appraiser or by a member of the lender's staff. The appraiser inspects the house and the neighborhood, and considers sales prices of comparable houses and other factors in determining the value. The appraisal does not, however, necessarily detect or discuss defects in the property or title to the property. Your lender may provide a copy of the appraisal to you upon request although they may not be required to do so unless specified in state law.

### **CREDIT REPORT FEE**

The cost for a credit report, which shows your credit history. The lender uses the information in a credit report to help decide whether or not to approve your loan and how much money to lend you.

### **LENDER'S INSPECTION FEE**

This charge covers inspections, often of newly constructed housing, made by employees of your lender or by an outside inspector.

### **MORTGAGE INSURANCE APPLICATION FEE**

The fee covers the processing of an application for mortgage insurance which may be required on certain home loans.

### **ASSUMPTION FEE**

A fee which is charged when a buyer "assumes" or takes over the duty to pay the seller's existing loan.

### **INTEREST**

Lenders usually require that borrowers pay at the close of escrow the interest that accrues on the loan from the date of funding to the beginning of the period covered by the first monthly payment.

### **PMI (MORTGAGE INSURANCE)**

Mortgage insurance protects the lender from loss due to payment default by the borrower. The lender may require the first premium or a lump sum premium, covering the life of the loan in advance, in escrow. With this insurance protection, the lender is willing to make a larger loan, thus reducing your down payment requirements.

### **HAZARD INSURANCE PREMIUM**

The premium prepayment is for insurance for you and the lender against loss due to fire, windstorm, and natural hazards. The coverage may be included in a Homeowner's Policy which insures against additional risks such as personal liability and theft. Often the first year's premium is prepaid in escrow. The policy may not protect against loss caused by flooding. If your mortgage is federally insured and your property is within a special flood hazard area identified by FEMA, you may be required by federal law to carry flood insurance on your home.

### **TITLE CHARGES**

These may cover a variety of services performed by title companies and others and include fees directly related to the transfer of title and fees for recording, transfer tax, notaries, etc. The borrower may pay all, a part or none of the cost for owner's and lender's title insurance depending on the terms of the sales contract or local custom. A one-time premium may be charged for the lender's title policy which protects the lender against loss due to problems or defects in connection with the title. The insurance is usually written for the amount of the mortgage loan. The borrower will be responsible for all, part or none of the cost depending on the sales contract or local custom.

### **ESCROW SERVICES**

The fee for the services performed by the escrow officer. Typically responsibility for payment of this fee is negotiated between buyer and seller when the sales contract is signed.

### **RECORDING AND TRANSFER FEES**

The sales contract or local custom determines how fees are split between buyer and seller. The buyer usually pays the fees for legally recording the new deed and mortgage loan. The county charges a transfer tax and many cities also have transfer tax fees.

### **PEST AND OTHER INSPECTIONS**

This fee is to cover inspections for termites or other pest infestation of the home, payment determined by sales contract or custom.

