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WHAT TO EXPECT IN CLOSING COSTS ON A HOME PURCHASE

Many are taking advantage of this year's low mortgage rates to purchase a home. Pent up with excitement, many families, who have scrimped and saved for a down-payment, jump for joy when the mortgage lender finally approves their application. But, they should realize that there's a whole new set of expenses that must be covered before actually closing on the sale.

New homeowners are often taken aback by up-front closing costs such as mortgage and title insurance, attorney fees, recording fees and loan points, which can run into the thousands of dollars. But there is no need to be afraid of these charges. With a little background on their purpose and shrewd financial foresight, closings can be a breeze.

A lender's charge for processing the loan can be determined at the beginning of your buying process. Referred to as "points," these charges are expressed as a percentage of the total loan. For instance, three points are equal to 3 percent of the borrowed amount. "Points" can also become a tool for negotiation with the lender and seller. In a buyer's market, home sellers will often agree to pay mortgage fees in order to close a deal.

Title insurance can be a substantial expense. The policy covers any financial set-back caused by unforeseen defects in the purchased property and home. The one-time title fee, including search and examination, averages around \$430 for a \$100,000 home, but it's recommended that you check with a local title insurance agent ahead of time to effectively determine what you'll owe before closing.

Additional costs, such as attorney charges, and recording, transfer and inspection fees, can also be predicated ahead of time by the buyer. Most often pest and survey inspections, although included in the official closing statement, are conducted and paid for long before the closing date. However, buyers should consider them as additional up-front costs.

Some closing costs, such as "points," are fully tax deductible that tax year if you show proof of a separate lump sum payment. They are not deductible in a few cases when the loan is the result of re-financing rather than a home purchase. Application, appraisal, documentation and broker fees can not be deducted.

Some states require payment of property taxes at closing. In some instances, buyers and sellers are asked to put money into an escrow account that will cover any past and future tax obligations. Be sure to check with an attorney or real estate agent before the closing to determine your property tax commitments.

Also, be prepared to pay any assessments if buying a condominium or into an association-governed property. Fees for credit reports, notary public seals and assumptions, which includes the processing of official documents, may also arise.



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Knowing what total closing costs will be before starting your home search can help you better understand what price range is right for you. In the end, the process of closing on a mortgage will be easier than you think, leaving more time to plan for your new home.