

# The Mystery of Closing Costs: Solved!

Whether it's your first closing or you're a 'seasoned pro,' virtually no one buys or sells property without help from one or more real estate-related services. Your costs can include fees for brokers, lenders, surveyors, attorneys, title companies, and others who are involved in the transaction.

Altogether, the total costs of these various services become your actual closing costs.

## Settlement Statement

When you close a transaction, your closing costs will be detailed in a HUD-1 settlement statement that includes seven categories.

The borrower (buyer) pays everything in the "Paid from Borrower's Funds" column. The seller pays the costs listed in the "Paid from Seller's Funds" column. A notation next to each charge indicates who receives the monies.

## Before the Closing

Three business days before the closing you should receive a good faith estimate of the settlement charges. Since these charges are just an estimate, the final charges may vary.

One business day before the closing, call and request a copy of the actual settlement statement. Carefully study the statement and call the title company (or the attorney who will be handling the closing, if applicable) if you have any questions.

## Commission Costs

The first category in the settlement statement is "Sales/Broker's Commission." This is the commission that is paid to the real estate agent, usually by the seller, and is often a percentage of the selling price. It may be the largest settlement charge, so ensure that it's properly calculated and that it includes any negotiated discount.

## Loan Charges

The next category of costs, "Items Payable in Connection with Loan," is usually paid by the borrower (buyer) and includes the loan origination fee (if any), as well as fees for the appraisal, credit report, inspection, and private mortgage insurance (PMI).

You may often see lower fees for couriers, processing, administration, and flood certification. These amounts add up, so be sure to verify that they match the estimated charges and ask questions if anything puzzles you.

## Advance Costs

The third category, "Items Required by Lender to be Paid in Advance," includes prepaid interest on the loan, a mortgage insurance premium and a hazard insurance premium. These costs are usually paid by the buyer.

## Escrow Accounts

"Reserves Deposited with Lender," the fourth category, represents money placed in an escrow account to pay taxes to the city, county, and other taxing entities, such as the school district, etc. The buyer is usually responsible for these fees.

## Title Charges

The fees itemized in the fifth category, "Title Charges," are often split between the buyer and the seller. They may include charges for title search, title insurance, document preparation, notary fees, attorney's fees, and other fees, such as escrow fees, fees for tax certificates, and fees for messengers or couriers.

## Recording Fees

"Government Recording and Transfer Charges," the sixth category, includes costs associated with recording the title change at the courthouse. The recording fees, the costs for tax stamps and deed releases, and other fees are usually paid for by either the buyer or the seller.

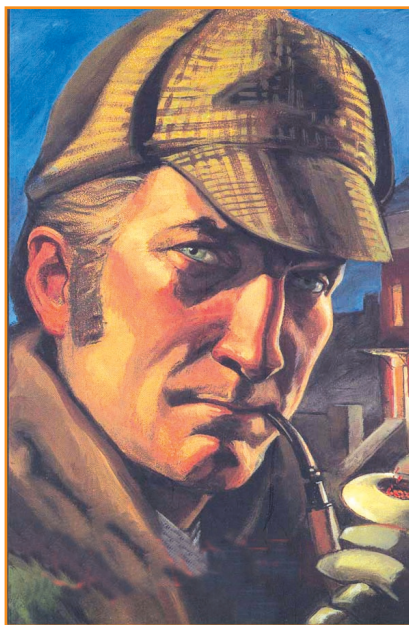
## Final Charges

The seventh and final catch-all category, "Additional Settlement Charges," is where you'll find costs for additional surveys, pest inspections, various treatments, home warranties, and repairs—almost anything agreed upon by

the buyer and the seller that will be paid by one or the other at closing.

*Closing costs can and do vary widely from state to state, according to tradition and practice. Feel free to inquire about the specifics of the anticipated closing costs in your area by contacting your local Mortgage or Real Estate professional today.*

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# Understanding Market Conditions

*“Buy land. They’re not making any more of it.” – Will Rogers*

The price you pay for your home will be affected by prevailing economic (market) conditions. Changes in market conditions can have an immediate and significant effect on property values. For this reason, it’s important to be aware and stay abreast of current conditions.

The price of real estate is affected by the supply and demand for credit and real property. The supply of capital is finite. Capital available for lending is shared among government, business, consumer, mortgage, and other borrowers. If capital is in relatively short supply, the cost of capital rises. When capital is in relatively great supply, the cost of capital declines.

The supply of money and credit in the economy is regulated by the Federal Reserve Bank. If the Fed makes too little credit available, demand for money can cause interest rates to increase. Borrowing, investing and sales decrease as interest rates rise, which can lead to an economic decline. Alternatively, if there is too much available credit, interest rates can fall. When interest rates are low, price levels for goods and services can increase as people are willing to pay more and more for them, which can potentially lead to inflation. It’s the Fed’s job to use sound monetary policy to achieve a growing yet stable economy. The price you pay for your home can be affected by interest rate levels.

Consider what can happen in the housing market when interest rates are relatively low: Low interest rates allow a larger number of home buyers (or borrowers) to enter the housing market. More buyers competing for a fixed supply of housing can often cause the price of housing to increase. This type of market is sometimes referred to as a “seller’s market.” In a seller’s market, properties sell quickly,

multiple offers are common and property values may be increasing. When interest rates rise, many would-be buyers no longer qualify for mortgages and are sometimes forced to leave the housing market. This type of market is referred to as a “buyer’s market.” In a buyer’s market, property values may be level or decreasing as sellers compete to attract buyers.

As a home buyer, your buying behavior can be influenced by market conditions. If you’re in a seller’s market, you may feel pressure to act quickly and offer top-dollar for a property. In a buyer’s market, you may feel less hurried, more in control of the situation and inclined to offer relatively less for a home.



*Want to learn more about the fluctuating real estate market conditions in your area? Contact your local Mortgage or Real Estate professional today.*

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