

CLOSING COSTS

THE BIG DAY...

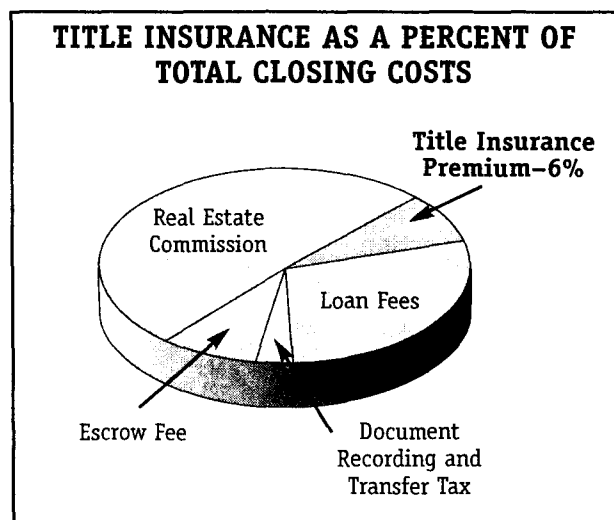
It's the day you go to the escrow company, sign your name on the dotted line, hand over a check and prepare to take ownership of your new home.

It's also the day that you and the seller will pay "closing" or settlement costs, and accumulation of separate charges paid to different entities for the professional services associated with the buying and selling of real property.

Understanding closing costs is important, so you're not taken by surprise when you prepare to close the transaction. In California, as a rule of thumb, closing costs amount to approximately 10% of the total sales price of a home. They usually include a real estate commission, loan fee, escrow fee, title insurance premium, a pest inspection and the like.

The title insurance premium usually amounts to less than 1% of the purchase price of your home, and less than 10% of your total closing costs. So, although the title company or escrow office usually serves as a meeting ground for closing the sale, only a small percentage of total closing fees are actually for title insurance protection.

Title or escrow company personnel will review and explain your closing statement when you prepare to close your transaction and take ownership of your new home. Shown below is the relationship between the title insurance premium and other closing costs. It will help you understand the other typical items associated with closing costs.



CLOSING COSTS CHECKLIST

Fees can vary, so be sure to check them carefully. This list will give you an idea of what the closing costs are for, not necessarily the specific amounts.

- 1. Commission** YES NO
 If a home is listed with an Agent, the Seller will have a commission to pay. Always make sure it is calculated correctly (usually 5-7%) on the closing statement.
- 2. Taxes** YES NO
 The Seller is required to pay his portion of property taxes through the last day of ownership. It will be prorated. A refund will be issued if annual taxes were paid in advance.
- 3. Insurance** YES NO
 Normally the Buyer gets a new policy. If they decide to take over the Seller's existing policy, there should be a refund of the difference to the Seller.
- 4. Assessments & Liens** YES NO
 Any time there are liens or assessments against individuals and/or the property, they will need to be paid off before the close of escrow. This could be a back tax lien or judgement. Always make sure to double-check the figures so that these are not overpaid.
- 5. Escrow & Title Insurance** YES NO
 Normally, the Seller pays the title insurance fee for the Buyer which is referred to as the "Owners Policy" covering the new owner's interest and "title" to his new property. The Buyer will pay for his "Lenders" policy which will cover his new lender's interest in the "title" to the property.
- 6. Inspection Fees / Other Fees** YES NO
 There are all kinds of inspection and miscellaneous fees that you could end up paying for. Be careful to check all charges on your closing statement. Nothing is standard and most everything is negotiable. Make sure the service was done or provided before you agree to pay for it. Make sure the charges are fair and not excessive. The time to argue about who pays what is BEFORE you sign escrow instructions. Once you have signed, you have agreed. The instructions cannot be changed unless mutually agreed by all parties, in writing!

	YES	NO
Termite Inspection	<input type="checkbox"/>	<input type="checkbox"/>
Termite Removal Costs	<input type="checkbox"/>	<input type="checkbox"/>
Deed Recording Charges	<input type="checkbox"/>	<input type="checkbox"/>
Loan Assumption Fees	<input type="checkbox"/>	<input type="checkbox"/>
Home Warranty	<input type="checkbox"/>	<input type="checkbox"/>
Attorney's Fees	<input type="checkbox"/>	<input type="checkbox"/>
Document Preparation Fees	<input type="checkbox"/>	<input type="checkbox"/>
Tax Service Fees (if given 2nd mortgage)	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>

The point to remember with closing costs is to make sure you have "agreed in advance" to the validity of the charge as well as making sure the service was actually performed and completed to your satisfaction. This includes everything from termite inspections to their removal, attorneys fees, etc. Should you have any disagreement on closing costs, don't sign closing statements until you are satisfied that all charges and fees are valid and correctly calculated. Your escrow officer should be able to correct most problems. All charges should be disclosed in writing. If there's a problem, check the escrow instructions.

WHO PAYS WHAT

The SELLER can **generally** be expected to pay for:

- Real Estate Commissions.
- Document preparation fee for Deed.
- Documentary transfer tax (\$1.10 per \$1000.00 of sales price).
- Any city Transfer/Conveyance Tax (according to contract).
- Payoff of all loans in seller's name (or existing loan balance if being assumed by Buyer).
- Interest accrued to lender being paid off.
- Statement Fees, Reconveyance Fees, and any Prepayment Penalties.
- Termite Inspection (according to contract).
- Termite Work (according to contract).
- Home Warranty (according to contract).
- Any judgements, tax liens, etc. against the Seller.
- Tax proration (for any taxes unpaid at time of transfer of title).
- Any unpaid Homeowners Association dues.
- Recording charges to clear documents of record against Seller.
- Any bonds or assessments (according to contract).
- Any and all delinquent taxes.
- Notary Fees.
- Escrow Fee (one half).
- Title Insurance Premium for Owner's Policy.

The BUYER can **generally** be expected to pay for:

- Title Insurance Premium for Lender's Policy.
- Escrow Fee (one half).
- Document preparation (if applicable).
- Notary Fees.
- Recording charges for all documents in Buyers names.
- Termite Inspection (according to contract).
- Tax proration (from date of acquisition).
- Homeowners transfer fee.
- All new loan charges (except those required by lender for Seller to pay).
- Interest on new loan from date of funding to 30 days prior to first payment date.
- Assumption/Change of Records fees for takeover of existing loan if applicable.
- Beneficiary Statement Fee for assumption of existing loan if applicable.
- Inspection Fees (roofing, property inspection, geological, etc.).
- Home Warranty (according to contract).
- City Transfer/Conveyance Tax (according to contract).
- Fire Insurance Premium for first year.

WHO OWNS WHAT - Personal Property vs. Real Property

The distinction between personal property and real property can be the source of difficulties in a real estate transaction. A purchase contract is normally written to include all real property; that is, all aspects of the property that are fastened down or which are an integral part of the structure. For example, this would include light fixtures, drapery rods, attached mirrors, trees, and shrubs in the ground. It would not include potted plants, free-standing refrigerators, washer/dryer, microwave, bookcases, swag lamps, etc.

If there is any uncertainty whether an item is included in the sale or not, it is best to be sure that the particular item is mentioned in the purchase agreement as being included or excluded.