

Closing Costs When Buying A Home

Closing costs are often the last thing a person thinks of when buying a home. While closing is the joyous moment the home becomes yours, the costs can be surprisingly aggravating.

When you purchase a home, condo or other property, you will go through a period known as escrow. During escrow, various issues related to the property transfer are worked out. The last day of escrow is known as the closing day and you are going to be paying closing costs.

Closing costs come in many forms. Some involve significant dollars while others are relatively painless. Here's a list of typical costs:

Escrow Fees

An escrow agent is essentially a third party that works with the seller and buyer to finalize the transaction. For this assistance, the escrow agent will charge a fee. Depending on your area and the agent, you can expect fees from a few hundred dollars to around a thousand or so. Make sure you find out the fees before picking an escrow agent.

Home Loan

Obtaining a home loan in the current market is a highly subjective event. "Points" can be a major cost associated with home loans. Points are essentially a fee you pay or have build into the loan for the privilege of being allowed to borrow money. A point usually equates to 1% of the loan. On a loan of \$300,000, one point would equal \$3,000. If you have excellent credit, you can shop for a loan that doesn't require you to pay points.

Home and Title Insurance

Insurance for your home and title are a must. If you are borrowing money to purchase the home, each is mandatory. If you are using your own funds, you should still get both forms of insurance. As each name implies, they provide insurance against issues involving your home and problems with the title transferred to you. You want to have clear title.

PMI

Private Mortgage Insurance, "PMI", is mandatory if your down payment is less than 20% of the purchase price. You can expect to pay a few hundred dollars a year in PMI. Inspections, Appraisals and Miscellaneous Fees

In the home purchase process, you are going to use a variety of services to validate the property is your dream home. These services come with fees and you can expect to pay for home inspectors, appraisers and the like. Depending upon the state you live in, many of these fees may be built into your mortgage. Nonetheless, you need to know exactly what you must pay for on closing day so you can budget accordingly.

Closing escrow should be one of the happier days in your life, particularly if it is for your first home. Make sure you know the costs associated with it so you don't have to spend the day running around borrowing money.