When you buy your new home, you'll be paying more than just a down payment. There are two categories of additional costs you should plan to pay at closing: "Closing costs" and "Prepaids". Here's a broad outline of what you could expect.

CLOSING COSTS	
Lender fees	$1,290
Appraisal	$700
Title & Escrow Fees	$1,350
Recording Fees	$300
TOTAL Closing Costs	**$3,640**
PREPAIDS	
Interest	$1,500
Insurance	$900
Escrow deposits	$4,300
TOTAL Prepaids	**$6,700**
GRAND TOTAL **Closing costs and prepaids**	**$10,340**

These figures are based on a $400,000 home with 5% down, assuming property taxes of $4200 per year and insurance of $900 per year.*

As you can see, closing costs add thousands of dollars to what you owe at closing. That's a lot of scratch! Here's a guide to where your hard-earned money is going:

Closing costs

Closing costs are transaction expenses you'll pay in connection with buying and financing your home. For most of the buyers with whom we work, these one-time expenses (exclusive of points and mortgage insurance) generally add up to $3500 to $5000.

Lender fees

Administrative Fees

These fees go directly to your lender and defray the administrative costs of setting up your loan. They go by many names: application, administrative, underwriting, wire, processing and document preparation are common. You can expect to pay some combination of these fees totalling $1000 to $2000. At Guaranteed Rate, we charge $1290: a $1140 lender fee and a $150 application fee.

Flood certification

If your new home is in a flood zone, you'll be required to carry flood insurance. We use a third party to research FEMA's maps and provide a "flood cert". Most lenders pass the cost of this certification on to you. Expect to pay $15 to $20. At Guaranteed Rate, we cover this cost for you.

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Tax service fee

If your property taxes don't get paid for a few years in a row, the county can foreclosure on your home and sell it to pay the back taxes. To avoid this risk and protect the collateral for their loan, your lender hires a third party tax service vendor to verify taxes are getting paid, when due, throughout the life of your loan. The fee for this service is usually $50 to $100. Guaranteed Rate picks up the tab for this expense for our clients.

Appraisal

An appraisal is a professional opinion of the value of the home you are buying. Your lender will order the appraisal from an independent, licensed appraiser. Although the appraisal report technically belongs to your lender, we will provide a copy to you as soon as we receive it. Fees start at $700-900 for a report on a single-family residence, but if buying a rental, multi-unit, rural or unique/complex property, you can expect to pay more. On low-risk loans, every now and then, we are granted a waiver and can close a loan without an appraisal, saving a little time and money.

Mortgage insurance

Mortgage insurance (MI) provides lenders with coverage against financial losses in the event of a default and foreclosure. If you put less than 20% down, your loan will (most likely) require mortgage insurance. Your mortgage insurance may be a part of your monthly payment, and if so you generally won't pay any at closing. Some loan programs offer the option to pay MI partially or entirely as a lump-sum at closing. When offered, single MI premiums are a percent of your loan amount, variable based on your down payment and credit score (ranging from less than 1% of your loan amount to almost 3%). Sometimes single MI can be financed into your loan.

Loan Guarantee Fees

Some types of loans are guaranteed by a government agency. With these loan programs, when a home is foreclosed, the government covers the lender's losses. Each of these programs requires that you pay a loan guarantee fee. This fee helps cover the cost of the program. These fees are typically allowed to be financed into your mortgage. FHA charges a 1.75% "upfront mortgage insurance premium". USDA charges a 1% "guarantee fee". VA loans require a "funding fee" that varies from 1.25% to 3.3% of the loan amount, depending on how much you are putting down, whether your eligibility comes from regular duty or service in the Reserves or Guard and how much you are putting down. If you have service-connected disability, the VA Funding Fee is generally waived.

Discount points

Discount points are the most variable of all closing costs. (In fact they may be either a cost you pay or a credit you receive. If paid as a credit to you, you'll they'll be labeled as a "lender credit" .) One discount point equals 1% of your loan amount. Although discount points are paid at closing, just think of them as part of the interest cost for your loan. If you elect to pay discount points, you are prepaying some interest at closing. In exchange for this prepayment of interest, you receive a reduction in your interest rate. When you lock your rate, you'll also settle on

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the amount of discount points (or lender credit) you will receive at closing. Discount points are a big topic—you can read more here.

Title and escrow fees

Settlement fees

The escrow division of a title company will act as a neutral agent, using the sales agreement between you and your seller as a road map, following it and all other instructions they receive. They collect, hold and disburse your earnest money, down payment, closing costs and prepaids, Realtor fees, seller's closing costs and any other costs. They'll also make sure the seller's mortgage gets paid off. You'll sign your closing papers at the title company's office and your escrow officer will notarize and record deeds. Escrow fees (sometimes called "settlement" or "closing" fees) are split between buyer and seller and vary with the price, but $500 to $1000 is a typical fee for each half. Worth noting: in some (mostly eastern) states, attorneys handle escrow functions.

Notary fees

If you cannot make it in to the title company to sign or will be out of the area for closing. The title company will arrange to have a mobile notary service facilitate signing for you. Expect to pay $100 to $200 for this service, plus some overnight delivery fees.

Title insurance and endorsements

At closing, the title company will issue two policies—an Owner's policy, paid for by the seller and protecting you, and a Lender's policy, paid for 50/50 by you and the seller and protecting your lender. If a claim or lawsuit arises, the title insurance company will defend you and your mortgage company or cover any financial losses. Claims are quite rare, but examples of possible issues include discrepancies in the legal description, unpaid liens, issues with lien priority, identity fraud, legal incapacity of a buyer or seller, issues to right of access, covenants or easements, invalid power of attorney, ownership claims from undisclosed or missing heirs, leases, contracts or options not disclosed to you. If any of these rare items comes up after closing, you'll be happy to have a title company at your side. Buyer's insurance costs vary with the size of the loan, but $300 to $900 for a basic policy plus maybe another $100 to $200 for a few extra "endorsements" is about what you should expect to see. (Your seller will pay quite a bit more: $1000 to $2000.)

Government Fees

Recording fees

As you prepare to close, you'll sign a pretty big stack of papers at the title company. Afterward, a few of them -- the deeds -- will be recorded with the county. Recording deeds is what the fuss is all about, recording them really is closing. The first deed to be recorded is the deed that transfers ownership of the property to you (usually a Warranty Deed). Next comes the Trust Deed, which attaches your mortgage to your home, creating a lien in favor or your mortgage company. The title company will handle recording for you and pass along the fees charged by the county, which generally run $150 to $350.

Reconveyance fees

If your seller has a mortgage, line of credit or any other debt secured to your home, the title company

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will make sure these debts are paid off at closing. Once the debts are paid, your seller's lender (with the help of the title company) will release their lien on the house by recording a "reconveyance". The seller will pay this cost (usually $150 per lien) on a purchase (you'll pay this if every you refinance).

Transfer taxes

Some municipalities charge a tax whenever the ownership of a home changes. In Oregon, the only such tax is charged by Washington County. It is $1 per $1000 of the sales price split between you and the seller ($50 cost to you for every $100k or price). In Washington, these taxes are much more. Washington State charges (as of 2018) a 1.28% "excise" tax and many cities charge an additional .25% or .5%. Lucky for you, the seller generally pays this tax.

Prepaids

In addition to the one-time expenses, at closing you will also get started paying of the recurring expenses you'll have in connection with owning your new home. Because these are paid, at closing, for future expenses, we all these items your "prepaids". It's hard to generalize about the cost of prepaids… they are widely variable. They depend on the tax and insurance costs for your specific property, when in the month you are closing and the tax due dates for the state in which you are buying. Very roughly, assume at least $3000, commonly $5000, and occasionally $10,000 or more.

Interim Interest

You'll pay interest at closing from the day you close to the end of the month in which you close. The per day interest cost is figured by multiplying your interest rate times your loan amount and dividing by 365.

Insurance

Your first year of homeowners insurance will be paid at closing. As we work on your loan, we'll ask you to pick your insurance agent and make arrangements for the coverage you want. We'll verify it meets the requirement for your loan and have your agent issue a "binder" of coverage. At closing, the title company will collect the premium and mail it to your insurance agent.

Property tax pro-rates

Your purchase contract contains a clause spelling out how property taxes for the current tax year are to be divvied up between you and your seller. The title company will calculate the daily cost of property taxes and make sure you and the seller square up at closing. Depending on the fiscal year for taxes and the closing date, you may owe taxes to your seller or your seller may owe taxes to you.

Escrowed taxes and insurance

When you start making payments on your new loan, most of the time, you your payment will include principal and interest on your loan, plus any mortgage insurance, plus 1/12th of your taxes, plus 1/12th of your insurance. The taxes and insurance that you pay each month will be deposited into a savings account, called an "escrow". When taxes and insurance come due, your lender will pay them for you, using the escrowed funds. At closing, you'll make an initial deposit into your escrow account. Your lender will work out the amount of money you

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need to deposit to make sure the balance of this account is in sync with the anticipated due dates for taxes and insurance. Your loan may offer the option pay taxes and insurance on your own (typically when you put down 20% or more).

Case-by-case

Depending on the nature of your loan or the type of property you purchase, there are a few additional costs you may incur.

Condos

If you buy a condo, your lender needs to gather information about the condo homeowners association and make sure it meets the requirements for the loan you are doing. If the HOA is professionally managed (most larger HOAs are) the management company will charge for gathering and sharing this information -- usually $150 to $300. At closing you the management company may charge transfer or set-up fees of $100 to $500. And, commonly, your HOA will require the equivalent of 3 months of your new HOA dues at closing -- one month of dues and the equivalent of 2 months of dues into the HOA's maintenance fund.

Rural homes and manufactured homes

If your new home is located outside of the immediate metro area, you may see a few extra fees. Many loan programs require that you hire an engineer to inspect the foundation under a manufactured home and provide a report indicating it meets HUD standards. Costs vary, but $500 is a good estimate. If your home is not connected to public utilities, your lender may require a septic inspection, well flow test or well water quality test. In Oregon sellers are required to provide a water quality test to you.

Special programs

If you are a low- or moderate-income household you may be eligible for a down payment assistance program, affordable second mortgage program or a Mortgage Credit Certificate program. Ask us and we'll help you figure out if you are eligible and would benefit from any of these programs. Note that some of them do have a cost. The City of Portland charges a $775 processing fee for its Mortgage Credit Certificate program, for example.

Homebuyer education

Some loan programs require homebuyer education prior to closing. In exchange you may receive a discount on your closing costs and/or mortgage insurance. We'll let you know if you're eligible for any of these discounts and direct you to the course that meets the requirement for your loan. These classes can be completed in person or online. The providers charge fees of $100 to $200.

Home inspections

In general, your lender will not request a copy of your home inspection report. The inspections you perform are part of your due diligence, as you decide if you want to buy the home and negotiate terms with your seller. There are, however, a few loan programs require that you provide a copy of the report or the portion of it indicating the home you are buying is free of pest infestations and dry rot. If an initial report shows any issues, these must be corrected or treated prior to closing and a clear report provided. On any transaction, if the appraisal or sales agreement calls out any areas of concern,

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the underwriter may request a copy of your home inspection or a report from a specialist (roofer, engineer, contractor).

Rent

When you negotiate with your seller, you'll agree on a closing date and the date you get possession of your new home. Often these dates are one and the same -- the day you close is the day you get your keys. Other times, the dates are not the same. Your seller may get to keep possession of the property after closing. Sometimes (but rarely) you may get possession of the property prior to closing. Or you may buy a property that has a renter living in it. In all of these cases the contract could include some rent, paid by you or to you, at closing.

If would like an estimate of the costs you should expect to pay for your home purchase or have any questions, don't hesitate to call (503-799-3711) or email (juleef@rate.com).

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