

Budgeting for Closing Costs

Beyond the Down Payment: Fees Every Buyer Should Plan For

You've saved for a down payment, gotten preapproved and found a home you love. But just when you think you're ready to close, a new number appears: thousands of dollars in closing costs.

It's one of the most overlooked parts of buying a home—and one that can catch buyers off guard. To avoid last-minute surprises, it's important to understand what these costs are, how much they typically total and how you can plan for them in your overall homebuying budget.

WHAT'S INCLUDED IN CLOSING COSTS

Closing costs cover all the services and paperwork needed to officially transfer ownership of a property and secure your mortgage. These expenses vary depending on your location, the lender you choose and the type of loan you're using, but they often include:

- Loan origination fees, charged by the lender for processing your mortgage
- Appraisal and credit report fees
- Title search and title insurance
- Escrow fees, which cover the management of money held



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in trust

- Recording fees paid to your local government to document the transaction
- Transfer taxes, depending on your state or municipality
- Attorney's fees, if required in your state

Prepaid expenses like homeowners insurance, property taxes and mortgage interest

All of these costs will be outlined in your Loan Estimate, which you receive shortly after applying for a

mortgage, and your Closing Disclosure, which is delivered at least three business days before closing.

Together, these fees usually total 2 to 5 percent of the home's purchase price. For a \$300,000 home, that means you should expect to pay anywhere from \$6,000 to \$15,000 in closing costs.

HOW TO PREPARE — AND REDUCE THE BURDEN

One way to avoid stress is to

plan early. Many buyers focus so heavily on saving for a down payment that they don't set aside anything for closing costs. When meeting with your lender or mortgage broker, ask for a realistic estimate of all fees involved, and build that figure into your financial plan.

If you're short on cash, talk to your agent about the possibility of negotiating closing costs with the seller. In some cases — especially in slower markets or when a seller is

eager to move — they may agree to cover part of your costs to help finalize the sale.

Some mortgage programs, such as FHA or VA loans, allow for seller concessions, which can cover some of these costs. First-time buyer grants or local assistance programs may also help offset the burden, especially if you qualify based on income or area.

Another option is a lender credit, where the lender agrees to reduce your out-of-pocket closing costs in exchange for a slightly higher interest rate. This can make sense if you're short on cash now but plan to refinance or sell within a few years.

Lastly, don't forget about smaller costs that add up — such as home inspections, moving expenses and deposits for utilities or services. These aren't always listed as closing costs, but they're part of the overall cash you'll need to complete the transition.

Buying a home is one of the biggest financial moves most people ever make. Understanding and preparing for closing costs can help you make it to the finish line with fewer surprises — and greater confidence in your investment.



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REAL ESTATE 101



Closing Costs Are Separate From Your Down Payment

Many buyers mistakenly think their only expense is the down payment. In reality, closing costs usually add another 2 to 5 percent of the home's purchase price.

HOMEWISE GLOSSARY

Closing Costs: Closing costs are the various fees and expenses, beyond the home's purchase price, that buyers (and sometimes sellers) must pay at the time of closing. These typically include lender fees, title insurance, taxes and more.

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