

ADAMS & ADAMS

1534 Kings Highway
Swedesboro, NJ 08085
(856) 467-5392

info@adamsadamslaw.com

HOW TO CALCULATE CLOSING COSTS FOR THE PURCHASE OF YOUR NEW HOME

The purchase price is not the only money you will have to pay to purchase your new home. There are the costs of the transaction which must be paid at settlement. These are known as closing costs. Your closing costs will vary depending on your particular situation and the day on which you purchase the home.

This form is designed to explain many of the different fees you will see on your settlement sheet and help you calculate the money you will need to bring to the table for closing costs at the purchase of your new home.

A. Mortgage company charges

Your mortgage company will have fees for their services. These fees should be fully disclosed on the truth in lending statement you get at the beginning of the loan process. Ask your mortgage representative to give you a specific written disclosure of all fees you are expected to pay.

1. **Points and/or Processing Fee:** A point is the cost or fee charged by the lender for the loan. It is based upon the amount of the loan and is a percentage of the total loan. Lenders may charge anywhere from one to three points for the loan. This is a negotiable item. Don't be afraid to shop your mortgage around. Compare this fee and many lenders may reduce the points they require just to get your business
2. **Commitment Fee:** A commitment fee is a fee charged by your lender to issue the loan. This differs from company to company. Some charge the fee and then credit it back to you at the closing table.
3. **M.I.P.** MIP or Mortgage insurance protection is an insurance policy which you are required to carry if you are borrowing more than 80% of the appraised value of the home. This tends to be very expensive. You will have to prepay this fee for a few months and then each month the fee will be part of your escrow. By law, the mortgage company must remove this obligation once the total value of your loan is less than 80% of the fair market value of the home.
4. **VA Fee:** A fee for a VA (veteran's affairs) backed mortgage loan
5. **Mortgage Appraisal Fee:** the fee for the appraisal

6. ***Mortgage Inspection Fee: this is not often charged.*** If your mortgage company elects to inspect the property as part of the underwriting process they will charge a fee.
7. ***Application*** A fee charged by the mortgage company for the application
8. ***Credit Report Fee:*** A fee to perform a credit inspection.
9. ***Tax Search Fee*** A fee to perform the tax search
10. ***Mortgage Interest:*** You will not make your first mortgage payment for at least 30 days after the date of closing. You will be using the mortgage company's money for that 30 day period so they collect their interest in advance at the time of settlement. The amount of this fee will vary depending upon the day of the month you choose to close. For this reason, many settlements are scheduled for the end of the month, to make this number as small as possible. If you settle at the beginning of the month it will be higher
11. ***Flood Certification:*** A fee to examine the flood maps and obtain the certification. That the property is not in a flood zone and no flood insurance is needed.
12. ***ESCROWS: Required by Mortgage Co.*** If your mortgage company will be paying your taxes and insurance, they will collect these fees in advance at the table. Since you will not be paying your mortgage for at least 30 days after the loan closes, if they do not collect at least 3 months of these fees in advance, they may not have enough to pay the tax or insurance bill when it becomes due. How many months they want to collect at the table will vary by Mortgage Company. Ask your mortgage representative what they will require before you commit to doing business with them. There is a huge difference in paying 5 months of real estate taxes versus 2 months of taxes at the settlement table.

Real Estate Taxes (3 months, usually can be as much as 5 months)

Hazard Insurance (3 months usually)

M.I.P./VA Fee (3 months)

- B. **Homeowners' Association Fees.** How much you must pay is usually determined by the Bylaws and the agreement with the management company of the association.

Capital buy in amount

Monthly Association Fees (paid in advance)

Transfer fee

- C. **Survey Fee**

- D. **Inspection Fees:**

Termite Inspection:

Home Inspection

Well test (usually seller's obligation)

Septic Test (usually buyer's obligation)

E. ***Buyer's Legal Representation:***

F. ***Fee for closing agent to preside at settlement*** (regulated by the department of insurance never any more than \$350 total. Usually divided between the two sides equally.

G. **Insurances**

Homeowner's insurance (one year in advance)

Flood Insurance

Mortgage insurance protection (MIP)

Title Insurance search and policy Cost

H. **Recording fees:**

Deed usually 80 dollars

Mortgage depends on the number of pages.

Notary usually \$15 Dollars.

Overnight Mail, etc.:

I. **Taxes: City/Town Real Estate Taxes and Water/Sewer Assessments:** You will reimburse the Seller. He will prepay these taxes through the rest of the quarter so that he can give you good title and you will pay him back for each day you own the property from the date of the settlement to the end of the quarter

J. **Fuel Oil** If the home is heated by fuel oil, the tank will be dipped and the oil measured and you will pay the seller for the cost of the oil based upon the rate charged by the Seller's provider when the tank is dipped.

Normally an exact amount of closing costs cannot be calculated until a day or two before settlement. Once you have calculated your costs, you must obtain a certified check in the amount. Always bring a few hundred dollars more than you think you will need as most title companies will not take personal checks for much more than \$500. MAKE CERTIFIED OR CASHIER'S CHECK PAYABLE TO YOURSELF. So you can walk away with your money if the settlement does not occur. You will simply sign the check over to the title company at the closing table.