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What Are the Costs of Closing on a Home? Buyers and Sellers Want to Know

This is an article best read at <http://RealEstateToday.substack.com>, where the buyer and seller settlement statements at right appear much larger on your computer screen. I have anonymized the actual closing statements from a property I sold for \$698,000 this year which had an HOA, a seller loan to pay off, and a buyer loan to fund. That covers most of the expenses that a buyer or seller might encounter when closing on a home sale or purchase.



taxes plus some of the current year's taxes deducted from your proceeds. Your lender has probably been escrowing for next year's property tax bill (and insurance renewal), but that escrow can't be credited on your closing. You'll pay for the property taxes at closing and get a refund of your escrow balance from your lender 30 days or so after closing.

On this seller's settlement statement, the HOA dues are also pro-rated to the date of closing, and, since the closing was on the 30th of August, the statement refunds two days' worth of HOA dues, which the seller had paid on August 1st.

The biggest deductions for the seller (other than property taxes) are the real estate commissions and the title insurance policy. The purchase contract specifies whether the buyer or seller will pay for the buyer agent's commission and the owner's title insurance, but it is still common for the seller to pay both agents' commissions plus the title policy, as in this case.

There are HOA fees which can also be paid by either party but are typically paid by the seller. Typically, the title company which is closing the transaction pays those fees (for status letter, documents, transfer fee, and more), so those fees are shown here as being reimbursed to the title company by the seller.

In addition to paying off the seller's loan, based on payoff numbers the title company obtains directly from the lender, the closer will deduct a few extra days of interest to cover the time it takes to get the payoff to the lender. If that's an overcharge, the seller will get a check for the surplus from the title company within a few weeks.

We're blessed in Colorado when it comes to the cost of buying and selling real estate. In many states, there are transfer taxes imposed by state or local jurisdictions, but not here by Colorado, at least in metro Denver. Also, in some states, both buyer and seller need to hire a lawyer, not just a real estate agent to complete a transaction. A Colorado law gives licensed real estate brokers limited legal authority to explain state approved contracts, so it's rare for a client to spend money on a lawyer. The exception is when a buyer purchases a new home, because builders have lawyers create their own contracts, and we would be practicing law without a license if we were to interpret those contracts and their provisions for our buyer.

So let's look at the seller's settlement statement first. Not all the debits on this statement are considered the cost of selling. For example, the property taxes for the current year, pro-rated to the date of sale, are not a cost of selling. Since property taxes are paid in arrears (not due until April of the following year), you're always going to find property taxes pro-rated on the settlement statement. In January through April, if your prior year taxes haven't been paid, you will find the full year's

Seller's Settlement Statement		
	Debit	Credit
Financial Consideration		
Sale Price of Property		698,000.00
Prorations/Adjustments		
HOA Dues - Current Period		25.97
08/01/24-08/31/24		
County Taxes	2,872.85	
21/01/24-08/31/24		
Commissions		
Commission - Selling Brokerage	19,544.00	
Commission - Selling Brokerage	19,544.00	
Escrow/Title Charges		
Real Estate Closing Fee to Title Company	120.00	
Reimburse - HOA Status Letter to Title Company	674.95	
Colorado Form 130 - Owners Estimated Coverage to Title Company	75.00	
Owner's Title Insurance to Title Company	2,276.00	
Coverage: \$50,000.00		
Version: ALTA Owners Policy (07/01/2021)		
Version: ALTA Owners Policy (07/01/2021)		
Payoffs		
Payoff to Lender's Mortgage Company	162,287.73	
Loan Payoff	162,001.23	
Additional Interest from 08/01/24 Through 08/31/24 @ 21.610000	95.44	
Per Diem Plus 5 Cms		
Days		
Total Payoff	162,287.73	
HOA Charges		
HOA Withholding Capital to Homeowners Association	1,642.00	
Macellaneous Debits/Credits		
2023 Property Taxes PFD to County Treasurer		250.00
\$4,070.72 paid to title closing by Seller		
Water/Sewer Escrow to Water & Sewer Company		250.00
Subtotal	278,444.53	698,230.97
Balance Due TO Seller	429,588.44	
TOTALS	658,032.97	698,532.97

Buyer's Settlement Statement		
	Debit	Credit
Financial Consideration		
Lender Credits from Lender		700.00
Sale Price of Property	698,000.00	
Deposit (Escrow Money)		7,000.00
Loan Amount		698,000.00
Prorations/Adjustments		
HOA Dues - Current Period		25.97
08/01/24-08/31/24		
County Taxes		2,872.85
21/01/24-08/31/24		
Lease Charges to Lender		
Origination Fee	1,250.00	
Address Fee		5.00
\$500 Split outside county by borrower		
Closing Fee	50.00	
Credit Report Fee	121.25	
Flood Certification Fee	4.80	
SWRS Escrow/Setup Fee	24.35	
Tax Service Fee	64.00	
Prepaid Interest	943.25	
\$26,532 per day from 08/01/24 to 09/01/24		
Lender		
Homeowner's Insurance	413.75	
3,000 Months at \$13.45 per Month		
Property Taxes	1,670.85	
\$ 1,000 Months at \$16.71 per Month		
Appreciate Adjustments		658.11
Escrow/Title Charges		
Closing Protection Letter - Lender to Title Company	25.00	
Consumer's Lien Closing Fee to Title Company	430.00	
Electronic Forwarding Fee to Title Company	10.00	
Lender's Title Insurance to Title Company	502.00	
Coverage: \$10,000.00		
Version: ALTA Loan Policy (07/01/21)		
Version: ALTA Loan Policy (07/01/21)		
Loan & Loan Closing Fee to Title Company	160.00	
Recording Charges		
Recording Escrow to County Clerk & Recorder	160.00	
State Doc Fee to County Clerk & Recorder	69.80	
HOA Charges		
HOA Dues - Advance September & October to Homeowners Association	300.00	
Macellaneous Debits/Credits		
Homeowner's Insurance Premium to Homeowners Association Company	1,642.00	
Home Warranty to Home Warranty Company		
\$500 Split by Buyer's Agent		
Subtotal	701,820.94	700.00

The title company will also withhold from seller's proceeds a few hundred dollars to pay the final water and sewer bill (unless water is included in the HOA dues), and will refund the excess after they pay the final water/sewer bill. This is the only utility which the title company pays and transfers on your behalf, because an unpaid water/sewer bill would result in a lien against the property, and the title company's job is to assure the buyer that they are getting the home free of any liens.

Now let's look at the buyer's settlement statement. If the buyer were paying cash, he or she would have very few expenses other than recording the deed for \$10. The biggest costs associated with buying the home are related to the loan, especially if the seller has paid the buyer's real estate agent and paid for the owner's title policy.

Those loan costs are large and varied, as is detailed in the buyer's settlement statement above. There's the origination fee, from which the loan officer is paid. There is also the cost of appraising the home (in this case paid prior to closing), underwriting, credit report, flood certification, and other lesser fees.

The buyer's lender wants to be sure the home is insured, so you see that debit on the last line of the buyer's settlement.

Not only does the buyer have to pay all those expenses, the buyer is charged for a title policy that covers

the lender for the amount of the loan (\$500 in this case) and a loan closing fee (\$450). The lender usually wants to escrow for property taxes and insurance and will require a deposit for both those expenses that will vary depending on when in the calendar year the closing takes place. In this case the buyer is being debited for 3 months of insurance coverage and 5 months of property taxes.

There is one big credit which the buyer receives from the seller. The funds which were deducted from the seller's proceeds for the current year's property taxes are credited to the buyer, not paid to the county. That's because the buyer will be charged the current year's entire property tax bill when it becomes due. You see that credit — almost \$3,000 — near the top of the above settlement statement.

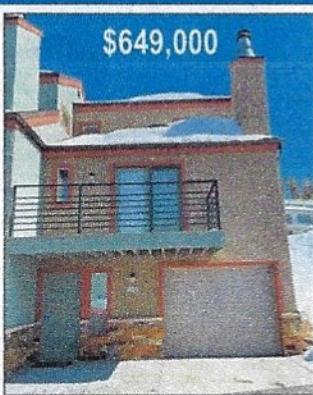
There could also be a concession for repairs that the seller agreed to in the inspection resolution, although not in this case. Sometimes that concession takes the form of a price reduction, which does not appear as a line on the settlement statement.

Notice that the closing services (Notary) fee of \$360 is shared 50/50 in this case, as is commonly done, \$180 for each party.

As mentioned above, visit our blog for more readable copies of those documents and more discussion of transaction costs.

Big Price Reduction on a 2-BR Winter Park Condo

With ski season here, don't miss your chance to make this condo at 693 Wapiti Drive #16A, Fraser, your mountain getaway. You'll delight in the open concept living and dining area with windows showcasing mountain views. The kitchen features hickory cabinets, an island and granite countertops. A pantry/laundry room is on the main floor. Additional features include a moss rock fireplace, a skylight, and a private balcony with views of Byers Peak. All bathrooms have granite countertops with hickory cabinets, and the two full bathrooms have tiled floors and bath. Both bedrooms have double closets. The oversized garage has a locked room for plenty of storage. No more scraping snow off your car! This condo is sold fully furnished. The free bus will take you to Winter Park Resort and all it offers. Take a narrated video tour at www.GRElistings.com, then call David Dlugasch at 303-908-4835 to arrange a private showing.



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