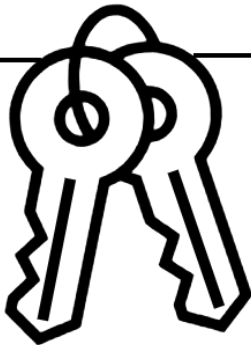




What Are Closing Costs, and How Much Should I Expect?

Closing costs are the various fees and charges you pay when you officially “close” on your home — i.e., when the keys to the front door finally make it into your pocket. These costs are in addition to your down payment and are typically due at the time of closing.

Think of them as the behind-the-scenes charges that make your mortgage happen. Some of the money from closing costs goes to your lender. Some goes to third parties like inspectors, appraisers, and attorneys. [Typically, closing costs range from 2% to 5% of the home’s purchase price.](#) So if you’re buying a \$300,000 home, your closing costs could fall anywhere between \$6,000 and \$15,000. Not pocket change — and definitely something to budget for.



What Exactly Are You Paying For?

When you’re nearing the end of the homebuying process, your lender is required to give you two important documents: a loan estimate, which you’ll have in hand early in the process, and a closing disclosure, which you’ll get just before closing. The latter outlines your actual closing costs, but may not always capture every single fee that could arise, especially from third parties.

Here’s a breakdown of the main categories of costs you’ll encounter as you purchase a home.



Typical Closing Costs (one-time fees due at closing) (based on a [\\$416,900](#) home price, which is the current national average)

Appraisal fee

This is required by your lender to confirm the home's value. Expect to spend around \$700.

Credit report fee

There's usually a small charge to pull your credit report and score. Expect to pay around \$50.

Title fees

These cover the title search as well as title insurance which ensure no one else has a legal claim to the home. Costs generally range from \$1,000 to \$2,500.

Loan origination fee

This is often calculated as 1% of your loan amount. So if you're putting 20% down on a \$416,900 home, your loan would be approximately \$333,520, making this fee about \$3,335. (Some lenders calculate the fee based on the full purchase price, which would bring it to about \$4,169.)

Escrow fee

This fee is paid to the escrow or closing agent managing the legal and financial transaction. It's commonly calculated at about \$2 per \$1,000 of the purchase price, which would come to around \$833 for a \$416,900 house, plus a flat administrative fee that typically ranges from \$250 to \$500.

Recording fees

This fee is charged by your local government to officially record the property sale. It can range from \$50 to \$250, depending on your location.



Notary fees

You may be required to use a notary to verify signed legal documents. This may cost anywhere from \$50 to \$200, but may sometimes be included in your escrow or legal fees.

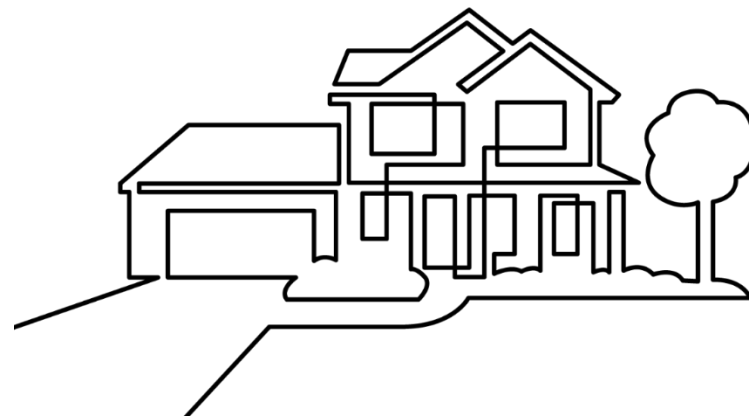
Estimated Prepaid Items and Upfront Costs (again based on that \$416,900 average home price)

Homeowners insurance premium

Lenders usually require buyers to prepay the first year of homeowners insurance before closing. Costs vary widely based on location and coverage, but a common estimate for a \$416,900 home would be between \$1,000 and \$2,000 for the year.

Property taxes

Depending on when you close and how your local property tax cycle works, you may need to prepay several months' worth of property taxes into an escrow account. Depending on your area, this could amount to \$2,000 or more.



Can You Negotiate Closing Costs?

Yes — to a degree. You can shop around for services like title insurance to get a better deal, and in some cases, you can ask the seller to cover part (or all) of your closing costs as part of your purchase negotiation. This is what's known as a "seller concession." But whether or not you're successful depends entirely on market conditions — in a hot real estate market where sellers are fielding multiple offers, it would be extremely rare to get your closing costs covered — especially if another buyer is willing to pay full price without asking for anything extra. But in a buyer's market, where homes are sitting longer and sellers are more motivated, you may have room to negotiate.



Bottom Line

You'll need to have several thousand dollars on hand for closing costs, which is why you should prepare for them early.

But even with a solid estimate in hand, keep in mind that surprises can happen. For example, the title company may have additional administrative charges, or your homeowners association might have separate move-in or initiation fees. The moral of the story: Ask questions! And make sure you read every line of your closing disclosure document. You'll want to know where each dollar is going before you show up with a certified check in hand.

