

# Understanding Closing Costs

## Pre-paid Expenses

What are “**pre-paids**”? This is a description that simply means **REAL ESTATE TAXES, INTEREST, AND HOMEOWNERS INSURANCE**. In order to purchase a home, a buyer must have sufficient cash available, in addition to his down payment and closing costs, to pay for approximately 12 months of homeowners insurance, 3 months of taxes and interest through the end of the month of closing.

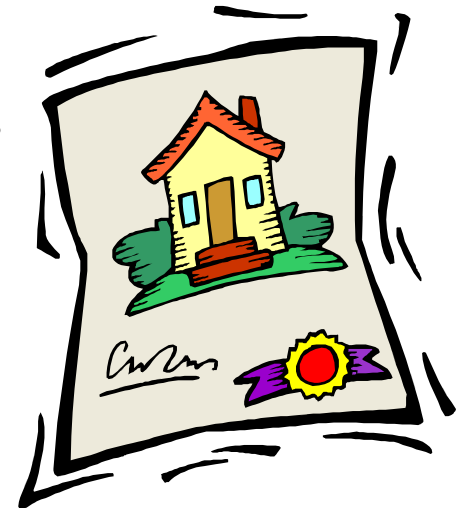
**It may also include:**

### **Home Warranty Plans**

While investing in a home, be it new or previously owned, it is always a good idea to have some type of warranty placed on it. One year premium is due in advance at time of closing.

### **Mortgage Insurance (PMI)**

Insurance required by the lender when the down payment is less than 20%. In the case of loan default, this insurance reduces the lender's loss.



## Fees Associated With The Title Company

### **Processing Fee**

Fees charged by the escrow processor, either working for the escrow company, title company, or real estate company, for administrative escrow services performed from the point of contract through closing.

### **Recording Fees**

Fees charged by state or municipal entities for entering the closing documents into the public record.

### **Survey Fee**

Is usually required and is used by the lender to check for encroachments from within or from outside the subject property.

### **Title Insurance**

Provides protection for lenders and homeowners against financial loss resulting from legal defects in the title.

### **Closing Fee**

The fee charged by the closing agent who prepares the closing documents and closes the loan on behalf of the lender.

### **Miscellaneous Expenses**

Termite inspection, Sewer/Lateral Line fee, pro-rated Water/Utilities