

Whether you're looking to buy your first home, or trading up to larger one, there are many costs - on top of the purchase price - that you must figure into your calculation of affordability. These extra fees could surprise you with an unwanted financial nightmare on closing day if you're not informed and prepared.

Some of these costs are one-time fixed payments, while others represent an ongoing monthly or yearly commitment. Not all of these costs will apply in every situation, but by knowing about them ahead of time, you can budget accordingly, and even look at ways of saving money before they crop up.

Remember, buying a home is a major milestone. Whether it's your first, second, or tenth home, there are many important details to address during the process. The last thing you need are unbudgeted financial obligations cropping up hours before you take possession of your new home.

14 Commonly Overlooked Costs

- 1. Appraisal Fee...** Your lending institution will request an appraisal on the property which would be your responsibility to pay for. Appraisals can vary in price from approximately \$350 to \$600.
- 2. Property Taxes...** Depending on the type of loan you get, your lending institution may decide to include your property taxes in your monthly mortgage payments. If your property taxes are not included in your monthly mortgage

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payments, your lending institution may require annual proof that your taxes have been paid. In addition, you will likely be required to pay any property taxes due on the property for the current fiscal year prior to taking possession of the property.

- 3. Survey Fee...** When the home you purchase is a resale (vs. a new home), your lending institution may ask for an updated property survey. The cost for this survey will vary in price and may cost from \$750 to \$1,500 or more.

- 4. Property Insurance...** Home insurance will be required to cover the replacement value of your home. Your lending institution will request proof that you are insured as it protects their investment on the loan. In addition to homeowners insurance, depending on where your property is located, lenders may also require you to carry specialized insurance for flood, earthquake, or other perils which may not be covered in a typical homeowners insurance policy.

- 5. Utility Service Charges...** Any new utility services that require hook up, connection, or installation, or other maintenance services such as trash hauling may require installation fees and/or security deposits before services will be provided.

- 6. Mortgage Loan Insurance Fee...**

Depending upon the equity in your home, some mortgages require mortgage loan insurance. This type of insurance will cost you between 0.5% and 3.5% of the total amount of the mortgage. Usually payments are made monthly in addition to your mortgage and tax payment.

- 7. Mortgage Broker's Fees...** A mortgage broker is entitled to charge you a fee in order to source a lender and organize the financing. However, it pays to shop around because many mortgage brokers will provide their services at a reduced cost or even free to you by having the lending institution absorb the cost.

- 8. Title Insurance and Escrow Fees...** Title or escrow companies may charge for title insurance which covers any liability arising from incorrectly recorded titles, either from the previous owner or from any errors or omissions which may occur in filing your new information with public recorders. Escrow fees are also charged to cover the costs of services provided by title or escrow companies. It pays to shop around as some title or escrow companies may have special rates for first time home buyers or other programs which may be of particular benefit to your specific needs.

- 9. Property Inspection Fees...** It is critical that you be aware of any potential problems or challenges with the property so there are no

surprises when you finally take possession. There are numerous inspections that you may wish to have completed on the property which include but are not limited to: pest, physical, heating/cooling systems, woodburning stove/fireplace, well, septic, or oil/propane systems. Each of these inspections will vary in price. If there are any problems that are uncovered, it may be necessary to repair these problems, or have the seller repair these problems after which you may choose to have the problem areas reinspected which will require reinspection fees be incurred.

10. Property Transfer Taxes... Depending on where you are purchasing property you will likely be required to pay an additional property transfer tax. Amounts of these taxes may vary greatly depending on the tax rates in the area in which you are purchasing.

11. Bonds or Assessments... The property you are purchasing may have liens, bonds or assessments attached to them which unless paid by the seller may transfer to you, the new owner. Usually these will be revealed through the title search performed the title or escrow company. But if they are overlooked and you have not made prior arrangements for title insurance or other protection, you may have to pay for or take on these obligations.

12. Moving Costs... If you choose to hire a professional mover you will need to pay for their services. Depending on your budget you may wish to do some of the work yourself, such as packing the boxes, moving smaller or delicate items yourself, and leaving the larger, or heavier items to the professionals.

13. Maintenance or Local Improvement Fees... Condos, Homeowners Associations, or

other common interest communities charge ongoing fees for services provided for such things as grounds keeping or maintenance of common areas. These fees are established by the local organizations and will vary. Some communities have taken on projects to provide services or benefits to an area such as the addition of sewers, water or other utilities, sidewalks, roadways etc. which are paid for by those who benefit from these projects, and the costs can be quite high depending on the improvements made.

14. Loan Interest... Many lenders charge interest in advance. Depending on the closing date of your property purchase you may be required to pay additional interest charges to fund the loan payment until your actual mortgage payment is due.

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"14 Commonly Overlooked Costs to be Aware of BEFORE buying a home"

