

Phoenix Real Estate- How much are the closing costs?

The closing costs on your purchase in Arizona is going to vary dependent upon several factors, the primary factor of which is whether you pay cash or finance your property. Cash buyers will have much lower closing cost totals than a buyer who is financing the purchase. While the basic escrow charge is typically split 50-50, other closing costs are typically paid by the seller, such as the resale disclosure fee to the HOA and the title insurance policy, while other closing costs can be negotiated in the purchase contract.

Closing costs may include the following:

HOA fees: Home Owners Associations vary with the fees that they may charge. Most will have a transfer fee of anywhere between \$75 -\$400. Also, you will be required to pay two months of HOA fees upfront to the HOA. There could be a one-time capital improvement fee upon transfer or a fee designated as working capital fee dependent upon each HOA's rules.

Escrow fees: The escrow company has a charge for their services similar to how a lawyer does and this amount is typically split in half by buyer and seller unless otherwise stipulated on the offer. They also have a fee for the county recording of the deed, courier charges and other small miscellaneous charges that lawyers back home always seem to have a knack at charging for. On a \$200000 home, the escrow charge will typically be somewhere around the \$370 mark plus potential miscellaneous small fees/disbursements of \$75-\$125.

Pro-rations: Just like back home, property taxes will be pro-rated to the moving day as will be the current month of HOA fees.

Financing fees: If you get a mortgage here you will have a number of fees including loan origination fees, a title policy for the lender to guarantee the loan to the bank, appraisal fees, loan interest pre-paid from date of mortgage funding to your first payment, and associated other processing and application fees. To finance here you can count on at least double the amount of your closing costs compared to cash.

Inspection charges: Any of the inspections that you may decide to do on the property of choice, such as a home inspection or a termite inspection, can get added to the closing /settlement statement and included in your total for payment just prior to possession. Or you can pay upfront with a credit card. Home inspections can range from \$300-500 dependent upon size and the scope of the inspection while the termite inspection will be around \$75.

So what kind of total should I expect to see for the closing costs?

It is definitely going to vary but as a simple rule of thumb, you can count on the maximum to be generally under 1% of purchase price for a cash sale or up to 3% of purchase price for a financed sale including home inspections and excluding the possibility of getting some or all covered by the seller as part of a negotiated purchase contract. We'll get a better idea of the total once we are involved in the negotiations for the home of your choice, but it's good to know the worst case scenario entering in to the purchase forum isn't it?

When the settlement statement has been prepared by the escrow company they will forward it to us first so that we can go through it item by item to ensure accuracy. Then we'll forward it up to you for your approval. Next the escrow company forwards it to the sellers for their approval. Once everyone agrees you can wire down the funds required to close directly in to the escrow company's bank account. You'll be supplied with the wiring instructions long before this as you'll need them to send down the initial deposit, which in the USA is called Earnest Money. Add \$25 to the total that you are wiring as there is almost always an intermediary bank between yours and the escrow company's bank that charges a fee. We don't want the deposit or the final settlement to show up being short. Any excess will be credited and refunded if applicable at closing.

