

# UNDERSTANDING CLOSING & TITLE COSTS: PART 1



It's the big day. The day you go to the title or escrow company, sign your name on the dotted line, hand over a check and prepare to take ownership of your new home. It's also the day that you and the seller will pay "closing" or settlement costs, an accumulation of separate charges paid to different entities for the professional services associated with the buying and selling of real property.

It's too often a day filled with uncertainty and stress. To help you better understand this confusing subject, the California Land Title Association has answered some of the questions most commonly asked about title, closing and closing costs.

## What services will I be paying for when I pay closing costs?

You will usually be paying for such things as real estate commissions, appraisal fees, loan fees, escrow charges, advance payments such as property taxes and homeowner's insurance, title insurance premiums, pest inspections and the like.

## How much should I expect to pay in closing costs?

The amount you pay for closing costs will vary; however, when buying your home and obtaining a new loan, an estimate of your closing costs will be provided to you pursuant to the Real Estate Settlement Procedures Act after you submit your loan application. This disclosure provides you with a good faith estimate of what your closing costs will be in the real estate process. An itemized list of charges will be prepared when you close your transaction and take title to your new property.

## Can I pay for my closing costs in installments?

No, and it is easy to understand why. Many different parties will have fulfilled their responsibilities and be awaiting payment upon closing. The title or escrow company will disburse monies to those parties, pursuant to the escrow instructions, when funds are available.

## Will I be allowed to write a personal check to cover my closing costs?

Your closing funds should be in the form of a cashier's check, issued by a California institution, made payable to the title company or escrow office in the amount requested. A personal check may delay the closing or may be unacceptable to the title or escrow company. An out-of-state check could also cause a delay in your closing due to possible delays in clearing the check.

## Is it a law in California that I must purchase title insurance when I buy or refinance a home?

No. However, virtually all lenders require title insurance for the face amount of their deed of trust, whether purchase or refinance. Prudent owners also value the protection afforded by the payment of the one time title insurance premium.

## How much can I expect to pay in title insurance?

This point is often misunderstood. Although the title company or escrow office usually serves as a meeting ground for closing the sale, only a small percentage of total closing fees are actually for title insurance protection.

Your title insurance premium may actually amount to less than one percent of the purchase price of your home, and less than ten percent of your total closing costs. The title policy is good for as long as you and your heirs own the property with the payment of only one premium.