

**About.com** Home Buying / Selling**Buyer's Closing Costs - What Does it Cost to Close Escrow?**

Can Sellers Credit Buyers for Prepaid Closing Costs?

By [Elizabeth Weintraub](#), About.com Guide

[Buying a home](#)<sup>1</sup> involves more out-of-pocket than just the down payment. There are also closing costs to pay for items such as title policies, recording fees, inspections, courier charges, reserves to set up an [impound account](#)<sup>2</sup> and fees that a lender charges. It is the fees a lender charges to make a loan that typically cost the most.



Always Ask About Closing Costs

© Big Stock Photo

Closing costs are on top of the purchase price.

**How Much Are Closing Costs?**

As a rule of thumb, [closing costs](#)<sup>3</sup> to buy a home run about 2 to 4 percent of the purchase price. Much depends on the points and origination fees a lender charges to make the loan, which are disclosed on the buyer's [Good Faith Estimate](#).<sup>4</sup>

The total closing costs to purchase a \$300,000 home could cost anywhere from approximately \$3,000 to \$12,000 or more.

**Non-Recurring Closing Costs**

Fees that are paid once and never again are called non-recurring. These fees are one-time charges for such items as:

- [Title Policies](#)<sup>5</sup>
- [Escrow](#)<sup>6</sup> or closing
- Notary
- Wire fees
- Courier / Delivery
- Attorney fees
- Endorsements
- Recording
- State, County or City Transfer Taxes
- [Home Protection Plans](#)<sup>7</sup>
- Natural Hazard Disclosures
- [Home Inspection](#)<sup>8</sup>
- Lender fees paid in conjunction with the loan on the [HUD-1](#)<sup>9</sup>, line 800.

**Recurring Closings Costs - The Prepays**

Recurring fees are those charges that you will pay again and again. They include such fees as:

- [Fire Insurance Premium](#)<sup>10</sup>
- [Flood Insurance](#)<sup>11</sup> (if required in your area)
- Property Taxes
- [Mutual or Private Mortgage Insurance Premiums](#)<sup>12</sup>
- [Prepaid Interest](#)<sup>13</sup>

The time of the year that you close will dictate how many prorata months of premiums the lender will collect to hold against future payments of taxes and insurance. Not every loan has an impound or escrow account, but typically loans totaling more than 80% of your purchase price will require an impound / escrow account.

**Can a Seller Credit the Buyer for Closing Costs?**

Always check with your lender *before* you negotiate an offer that involves a seller credit because the lender might not allow it.

- If you are financing 100% of the purchase price, the lender might limit your credit to 3% of the purchase price.
- Depending on your [FICO](#)<sup>14</sup> score and the amount of your down payment, the lender might allow a seller to credit you as much as 6% of the purchase price.
- Lenders will not let a borrower receive cash from a seller at closing, regardless of what you may hear at those [no-money-down seminars](#)<sup>15</sup>.

At the time of writing, Elizabeth Weintraub, DRE # 00697006, is a Broker-Associate at Lyon Real Estate in Sacramento, California.

This About.com page has been optimized for print. To view this page in its original form, please visit: <http://homebuying.about.com/od/financingadvice/qt/BuyClosingCosts.htm>

© 2011 About.com, Inc., a part of [The New York Times Company](#). All rights reserved.

**Links in this article:**

1. <http://homebuying.about.com/od/buyingahome/bb/shopping1sttime.htm>
2. <http://homebuying.about.com/od/financingadvice/qt/ImpoundShortage.htm>
3. <http://homebuying.about.com/od/glossaryc/g/ClosingCosts.htm>
4. <http://homebuying.about.com/od/glossarygh/g/GFE.htm>
5. <http://homebuying.about.com/od/homeshopping/qt/TitleInsurance.htm>
6. <http://homebuying.about.com/od/glossarye/g/Escrow.htm>
7. <http://homebuying.about.com/od/buyingahome/qt/HomeWarranty.htm>
8. <http://homebuying.about.com/od/homeshopping/a/atticinspect.htm>
9. [http://homebuying.about.com/cs/titleescrow/a/hud1\\_settlement.htm](http://homebuying.about.com/cs/titleescrow/a/hud1_settlement.htm)
10. <http://homebuying.about.com/od/hazardfireinsurance/qt/homeinsurance.htm>
11. <http://homebuying.about.com/od/buyingahome/qt/062707FloodIns.htm>
12. <http://homebuying.about.com/od/financingadvice/qt/MMIorCombo.htm>
13. <http://homebuying.about.com/od/financingadvice/qt/LoanInterest.htm>
14. <http://homebuying.about.com/od/glossaryf/g/FICO.htm>
15. <http://homebuying.about.com/od/investmentproperties/qt/0DownSeminars.htm>