

# What Does It Cost to Sell a Home? Here's a Breakdown of What You Pay

As closing approaches, the number one question in any seller's mind is "How much will I net from the sale of my home?"

There are two components to this calculation. First are those deductions which represent the cost of selling your home.

Other deductions are those expenses, such as property taxes, which you'd owe anyway but which have to be paid, prorated to date of closing.

The box at right lists these two categories as they typically arise in the sale of a residential property.

As a seller, you won't pay any of these fees individually. Rather, they are deducted from your proceeds. All you bring to closing is your driver's license for identification. (This assumes you are not "upside down" in which case you would have to bring money to the closing table, unless your mort-

gage holder has agreed to take less than he is owed. That's called a short sale, but only sellers with true hardship and no significant assets are granted the privilege of "shorting" their lender.)

Typically, the seller pays the commissions earned by both his listing agent and the buyer's broker. And, typically, that is your largest cost of selling.

The second largest cost of selling is usually the title insurance.

It is your obligation, as a seller, to guarantee that the buyer is obtaining the property free of any unpaid liens. Title insurance is a one-time premium paid by the seller to protect the buyer up to the purchase price.

A "piggyback" policy to protect the buyer's lender up to the amount borrowed is an expense (ranging from \$150 to \$450) paid by the buyer, not the seller.

Title insurance and closing fees can vary significantly, especially if the existing title policy is less than five years old, which could qualify you for a discount of varying size at different title companies. I suggest using [www.MyTitleIns.com](http://www.MyTitleIns.com) to comparison shop for this major expense. Do *NOT* simply accept the title company recommended by your listing agent.

If your home is in a subdivision with a professionally managed HOA, you can expect to pay increasingly unreasonable fees merely to get information from the management company and then to transfer your home on their books to the new owner. I had a client last week pay \$200 to such a management company merely to fill out a two page questionnaire, which took a person at that firm only ten minutes to complete. There oughta be a law against such rip-offs!

Call me with your questions on this topic.

## What Sellers Pay at Closing:

### Deductions from Seller's Proceeds that Represent a Cost of Selling

- 1) Commissions payable to both listing & buyer's agents
- 2) Title Insurance (Owner's Policy)
- 3) Real Estate Closing Fee (varies from \$63 to \$225 per side)
- 4) Seller contribution to Buyer's Closing Costs (whether negotiated in the original contract or in lieu of making inspection repairs)
- 5) HOA Transfer Fees (\$0 to \$500 depending on management co.)
- 6) Home Warranty, whether offered initially or negotiated in contract
- 7) Cost of repairs made to resolve inspection "Notice to Correct"
- 8) Fees for remitting mortgage payoff(s) and tracking release of lien(s)
- 9) Appraisal or survey (rare), if contract identifies as a seller expense
- 10) 1031 Exchange fee (investment properties only)
- 11) Down payment assistance (done via a third party entity)

### Items NOT a Cost of Selling, but Deducted from Seller's Proceeds

- 1) Payoff of mortgage(s) and any other liens against the property, including interest pro-rated through date of closing
- 2) Pro-ration of Property Taxes to date of closing (not due until April)
- 3) Escrow to pay final water bill (balance to be refunded to seller later)
- 4) Pro-ration of pre-paid rents and transfer of security deposits

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