

## **Real Estate Closing Procedures:**

A real estate transaction can be an overwhelming process for the parties involved. Unexpected issues can, and often do, arise. Developing a familiarity with some of these matters can ensure that purchasers and sellers move through the process more smoothly. In an effort to help our clients prepare themselves with respect to these issues, this article will explain (1) the documents a seller should have at the ready before going to contract, (2) the incidental costs associated with selling a home, and (3) the incidental costs associated with purchasing a home. As a seller you should make sure to have the following documents ready before entering into a contract:

*The deed:* This is a legal document, recorded with the county clerk, which transferred title to you when you purchased your home. It verified that you are the rightful owner of your property, describes the legal bounds of your property and defines the nature in which you may transfer your property to a third party.

*The survey:* A survey provided by a licensed land surveyor is a detailed inspection of the property and its boundaries. A survey will show if there were any physical improvements (house, garage, fences, driveways), on the property and if there is evidence of encroachments, easements, rights-of-ways or use of the property by others.

*Certificate of Occupancy:* A Certificate of Occupancy (C.O.) reflects departmental approval of work allowed by the building permit and establishes the conditions of occupancy of the structures. Depending on the age of your home, you should have a C.O. of r each permanency structure on your property. This includes any additions or extensions, including detached garages, above and in-ground pools, decks and patios.

### **Fees and closing costs you will incur as a Seller:**

*Brokers Commission:* If you are working with a real estate broker, you are responsible for the payment of the sales commission. The brokers commission should be negotiated at the time your home is listed with the broker.

*Transfer Fees:* Whenever property is transferred in New York State, the state transfer tax is due from the Seller at the time the new deed is recorded. The state tax is \$2.00 for every \$500.00 of the selling price. If the property is in New York City, the seller must also pay NYC real property transfer tax, which is 1% of the sale price for sales under \$500,000 and 1.425% of sales over \$500,000.

*Satisfaction of Mortgage:* If you have a mortgage or other liens that must be satisfied from the proceeds of your sale, the satisfaction of these payoffs must be recorded. The cost varies from each title company.

## **Fees and costs you will incur as a Purchaser:**

*Bank related expenses:* If you chose to take a mortgage out on your new home purchase the bank expenses you can expect to incur are as follows:

*Lender's Bank Attorney:* A purchaser is customarily obligated to pay the Bank attorney's fee, in addition to their own attorney's fees, as a condition of obtaining the mortgage.

*Tax escrow:* Most lenders will undertake to pay the real estate taxes on properties it grants mortgages against. In order to have sufficient monies to pay these taxes, a lender will require a Purchaser to deposit six months of the annual real estate tax bill in an escrow account with the lender, along with the monthly mortgage payment.

*Homeowners insurance:* A lender will also require that a purchaser maintain homeowners insurance in an amount necessary to replace the dwelling house. In addition, lenders require that the first years premium be paid in advance of the closing.

*Miscellaneous bank fees:* Lender shall also assess various fees depending upon their internal procedures. Some of these fees include: Loan Processing fee, application fees and credit report fees.

*Title related expenses:* These expenses are those required to complete the transfer of title and to record the necessary documents associated with the closing. They include:

*Title insurance:* Required by all mortgage lenders, title insurance is insurance against financial loss from defects in title to real property and from the invalidity or unenforceability of mortgage liens. It is available in many countries but it is principally a product developed and sold in the United States. It is meant to protect an owner's or lender's financial interest in real property against loss due to title defects, liens or other matters.

*Title Searches:* Some types of searches that the title company will prepare are Foreclosure Searches, Bankruptcy Searches, Open Mortgage Searches, Judgment Searches, Municipal Searches. The title report is made up of these reports to insure title is in good and marketable condition.

*Mortgage Recording tax:* Anytime a mortgage is recorded in the State of New York, there is a one time fee assessed against the purchaser. In Nassau and Suffolk County the fee is equal to .8% of the mortgage amount, less \$30. In New York City, the fee is equal to 1.75% less \$30.00.

If the sale price of your home is over \$1,000,000 there is a mansion tax due which is 1% of the sales price.

*Recording fees:* The fee to the county clerk to record the original mortgage and deed. This one time expense is approximately \$150 to \$200.