

Your Real Estate Advisor

Closing Expenses... Do you mean Total Investment?...

Remember that you have the right to solicit and receive the settlement statement up to three (3) days before the closing date.

When you solicit a mortgage loan, the first thing you say is that you want to pay no closing expenses, or maybe that you want to pay little closing expenses. So that there is no confusion on the closing day, first thing let's see the mathematical formula for Total Investment (forget the words "Closing Expenses").

In case of a buy-sell Total Investment is Down Payment + Total Costs.

Or:

Down Payment + Legal and Incidental Expenses + Origination and/or Discount Fees+ Prepaid Expenses

In case of refinancing, Total Investment is Total Costs only. It does not include down payment.

Or:

Legal and Incidental Expenses + Origination and/or Discount Fees+ Prepaid Expenses

Now I will explain their meanings:

Down Payment - Amount to invest by the buyer to consummate a real estate transaction. For example, if the bank approves 95%, the down payment will be 5% of purchase price, if the bank approves 100%, in this case there will be no down payment.

Legal Expenses - refers to fees paid to the attorney / notary for the preparation and registry of the buy-sale and mortgage deeds. Payment of state taxes and stamps (taxes for transfer of property) and Recording Fees (to record the new deed and mortgage at the Property Register ("Registro de la Propiedad"). Mortgage cancellation deed (in case of refinancing).

Incidental Expenses - refers to credit report, appraisal, Title search, Survey, Flood Zone certificate, Property Taxes certificate (CRIM).

Origination Fee - It covers the lender's administrative costs in processing the loan. Often expressed as a percentage of the loan.

Discount Fee - This is a charge imposed by the lender institution to cover the interest rate of the loan. Often expressed as a percentage of the loan.

The origination and/or discount fee is often called "point" or "points". Lender institutions offers (menu) mention in their advertising either interest rate and "APR", or origination and/or discount points, in which case they say it is Zero. Do not expect a 5% interest rate with 0 (zero) points. That will not happen. There might be a 5% interest rate with 6 "points", or there might be a 7% interest rate with 0 "points". In simple words: "Low interest rate" (low monthly payment) or "Low Total Investment", but not both.

Prepaid Expenses - refers to the Hazard Insurance policy (fire / hurricane/ earthquake) Flood Insurance Policy, Mortgage Insurance Premium. Property Taxes (if applies), Title Insurance for the lending institution. Part of these amounts are deposited in the reserve account ("Escrow Account").

When you solicit a "Good Faith Estimate", that is exactly what you receive: an estimate. As a general rule, closing costs could be estimated as a 3% of the mortgage amount, added to the origination and/or discount points, plus down payment. Total Investment is going to vary, according to the client's financial condition, the property and the lender's offer. In fact, who will finally determine if the initial offer is approved, is the underwriter, whom is the person that eventually evaluates all the documents. For you to make a decision remember that you have the right to solicit and receive the settlement statement up to three (3) days before closing date.

De La Guardia Group combines many years' experience, a thorough understanding of the real estate market, and cutting-edge technology to provide buyers and sellers with competent advice and proven results.

