



21 EXTRA COSTS TO BE AWARE OF BEFORE BUYING A HOME IN GEORGIA

Whether you're looking to buy your first home, or trading up to a larger one, there are many costs - on top of the purchase price - that you must figure into your calculation of affordability. These extra fees, such as taxes and other additional costs, could surprise you with an unwanted financial nightmare on closing day if you're not informed and prepared.

Some of these costs are one-time fixed payments, while others represent an ongoing monthly or yearly commitment. Not all of these costs will apply in every situation, however it's better to know about them ahead of time so you can budget properly.

Remember, buying a home is a major milestone. Whether it's your first, second or tenth home, there are many important details to address, during the process. The last thing you need are unbudgeted financial obligations cropping up hours before you take possession of your new home. Read through the following checklist to make sure you're budgeting properly for your next move.

Keep in mind that when you Hire Georgia Choice Realty for FREE, a real estate commission will NOT be one of the costs that you will have to pay at closing. The seller will be paying our entire fee at closing and you will not be charged a dime! This is not the case for many other real estate agents and companies.

UPFRONT COSTS AND FEES

1. MORTGAGE APPLICATION FEE

Many mortgage companies will require some sort of upfront payment or application fee when applying for a mortgage. This fee can go by many names and can cover a variety of costs in the loan application process. Because your mortgage application will most likely require your lending institution to pull a credit report and begin the process of documenting your income, most lenders will require some sort of upfront good faith deposit or fee to be paid for these services.

2. APPRAISAL FEES

Another fee collected in the loan application process is the appraisal fee. This fee may be collected upfront but almost certainly before the lender orders the appraisal for the new home. The fees charged for the appraisal fees can vary drastically based on the lender and the size of home you are purchasing and the type of appraisal being ordered. For example, FHA appraisals will also ensure that the property being purchased also meets minimum property standards for safety, security, and soundness.



3. HOME INSPECTION FEES

One of the first things any home buyer should do once a home is under contract is obtain a professional home inspection. It is highly recommended that all buyers obtain a professional home inspection from a certified home inspector on any home that they purchase. Buyers often cite the cost of a home inspection as a reason not to get one. This is a big mistake! The benefits of obtaining a home inspection are numerous and can pay for themselves many times over. If defects or safety issues are found in the property you have many options that you can negotiate with the seller. Keep in mind that almost all homes have some sort of defect or defects. If defects are found, you can negotiate with the seller to fix such items prior to closing. You can also negotiate a reduction in the purchase price. If the defects are substantial and costly and you are within the inspection due diligence period of your contract, you can usually back out of the transaction and save yourself and heartache of buying a potential money pit.

4. SURVEY FEES

When you purchase a home, your lending institution may ask for an updated property survey. Although surveys are not required in most transactions, it is recommended that a survey be obtained when there are any concerns as to the boundaries of the property (such as properties being sold with significant acreage) or as to the location of structures (such as buildings and fences) that may exist on the property.

5. WATER QUALITY AND QUALITY CERTIFICATION

If the home you purchased is serviced by a well, you should consider having your water checked by your local experts. This service will certify the quantity and quality of the water supply that is available and alert you to any concerns that there may be with the water supply.

6. EARNEST MONEY DEPOSIT

Most purchase and sale agreements call for the buyer to pay an upfront good faith deposit when the offer is made or when the offer becomes a binding contract. The amount of earnest money is completely negotiable and is not required in Georgia. However, many sellers do insist on obtaining a sufficient earnest money deposit because they must now take their home off the market and are now relying on you to honor the terms and conditions of the purchase contract. If you fail to close on the transaction as stipulated in the contract, the seller has lost out on time they could have been continually marketing the property. Sellers must also continue making mortgage payments until the transaction closes. The earnest money deposit that you put up will get credited to your down payment when the transaction closes. However, if for some reason, you are unable or refuse to fulfil the terms and conditions of the agreement, your earnest money could be lost. It is important to read all terms of the purchase contract to protect your rights to your earnest money if for some reason the transaction does not close as stipulated in the purchase contract.



FEES PAID AT CLOSING

7. MORTGAGE BROKER / LENDER / LOAN ORIGINATION FEES

A mortgage broker is entitled to charge you a fee in order to source a lender and organize the financing. However, it pays to shop around because many mortgage brokers will provide their services free to you by having the lending institution absorb the cost (usually by paying a slightly higher interest rate). It is highly recommended that you compare all the fees and rates from several different lenders prior to placing any home under contract. Once you have a home is under contract, the terms of the agreement may put you on a limited timeline, thus limiting your ability to effectively shop for the best mortgage.

8. ATTORNEYS / LEGAL FEES

In Georgia, licensed attorneys close the vast majority of home sales. If your home requires an institutional mortgage (FHA, VA, Conventional, Jumbo, USDA) your lender will most certainly require an attorney to close the home sale. Given the above, even the simplest of home purchases should have a lawyer involved to review all paperwork.

9. TITLE EXAMINATION FEES

In Georgia, it is customary for the closing attorney to order a title search on your home. A title search is an examination of public records to determine and confirm a property's legal ownership, and to find out what claims may exist on the property. The title search should turn up any easements, mortgages, tax liens, or other liens on the property. If the title search reveals a problem ("cloud on the title"), such as a break in the chain of title, inaccurate property description in a previous deed, or some old secured loan which has not been released, the problem will have to be cleared up before the sale can proceed. Once all "clouds on the title" have been cleared, and "clear and marketable title" has been established, the sale can proceed and title insurance can be obtained for the property.

10. OWNER'S AND LENDER'S TITLE INSURANCE

Title insurance is a type of insurance policy that covers defects in the title that may not have been discovered during a title search. Standard title insurance coverage handles risks as: forgery and impersonation; lack of competency, capacity or legal authority of a party; deed not joined in by a necessary party (co-owner, heir, spouse, corporate officer, or business partner); undisclosed (but recorded) prior mortgage or lien; undisclosed (but recorded) easement or use restriction; erroneous or inadequate legal descriptions; lack of a right of access; and a deed not properly recorded.

There are two types of title insurance. One that is for the lender "**Lender's Title Insurance**" and one for the new buyer or an "**Owners Title Insurance Policy**".



If you are purchasing a home using an institutional loan (conventional, FHA, VA, Jumbo or USDA loan), the lender will require you to purchase a lenders policy at closing. The Lenders Policy is based on the dollar amount of your loan. It only protects the lender's interests in the property should a problem with the title arise. It does not protect the buyer. The policy amount decreases as you pay down your loan and eventually disappears as the loan is paid off.

An Owner's Policy is usually issued in the amount of the real estate purchase. It is purchased for a one-time fee at closing and lasts for as long as you have an interest in the property. Only an Owner's Policy protects the buyer should a covered title problem arise. An Owner's Policy provides assurance that your title insurance company will stand behind you monetarily and with legal defense if needed if a covered title problem arises after you buy your home.

11. HOMEOWNERS INSURANCE

Homeowners insurance covers the replacement of your home (structure and contents) in case of a loss such as from a fire. Your lending institution will request proof that you are insured and will want to be named in the policy as it protects their investment on the loan as well. Almost all lenders will require for a full year of homeowners insurance premiums to be funded at closing. Be sure to go shopping for a homeowner's policy once your home goes under contract. Once a policy is selected, be sure to forward the policy details to your agent and closing attorney.

12. PROPERTY TAXES

If property taxes have already been paid for the current tax year, you may be required to reimburse the seller a prorated share of property taxes from the date of closing until the end of the year. In Georgia, property taxes are usually paid near the latter part of the year (September – December) but do vary based on locality. Therefore, the amount that you may have to reimburse the seller is usually for just a few months of property taxes or less. However, if property taxes have not been paid for the year, (which happens more often than not) you should receive a credit on the closing statement for a prorated share of property taxes from January 1st until the date of closing for the amount of time during the year that the seller owned the property. Property taxes are a matter of public record and can be obtained by visiting the website of the county in which the property is located.

13. LOCAL IMPROVEMENTS AND SPECIAL ASSESSMENTS

Another thing to look out for in your property taxes is local improvements and special assessments. If the town you live in has made local improvements (such as the addition of sewers, sidewalks, or street lights), this could impact a property's taxes by thousands of dollars. Many cities and counties in Georgia provide services such as garbage collection within their property tax bill as well. Again, you can inform yourself of many of these costs by pulling a copy of the most recent tax bill for the property on the website of the county in which the property is located.



14. UPFRONT MORTGAGE INSURANCE PREMIUMS

Most FHA, VA and USDA loans will require an upfront mortgage insurance premium to be paid for and funded at closing. This is in addition to any ongoing monthly mortgage insurance premiums you may have to pay. Sometimes, this fee may be rolled in to the loan amount so you do not have to come up with the funds at closing, but instead will reflect a larger loan balance that will be due when the mortgage is paid off.

15. HOMEOWNERS AND CONDO ASSOCIATION FEES

At closing, you may be required to pay an initiation or transfer fee for the homeowners association or condo association for which the property belongs. The fees and benefits vary drastically from one association to the next. These upfront costs paid at closing are in addition to the monthly, quarterly, and/or annual fees you may be required to pay to maintain your membership in the association.

16. ESCROW ACCOUNT SETUP

In addition to property taxes and homeowners insurance costs already mentioned above, most lenders will also require you to establish and fund an escrow account to pay for the property taxes and homeowners insurance on your property. Most escrow accounts require a 3 month reserve of property taxes and property insurance to be funded at closing. If property taxes have not been paid for the year, you will have to fund your escrow account with a prorated share of property taxes from the beginning of the year until the month of closing plus the 3 additional months.

Keep in mind that escrow accounts do not represent additional costs. They do require that additional funds may be needed to be brought to closing however. Escrow accounts exist to ensure the lender that your property taxes and insurance will be paid timely and that there is sufficient funds in the account when these items become due on your home. When your mortgage is paid off, you will receive a refund of the balance of any funds in your escrow account.

17. PREPAID INTEREST

If you close on any day other than the first of the month and you are financing your home purchase, you will usually have to pay some prepaid interest. Most amortizing mortgages do not start calculating until the first day of the following month. Therefore, the lender will charge interest from the date of closing until the end of the month. So for example, if you close of the 20th of June, you will have to pay prepaid interest until the end of the month or in this case, until June 30th. You will have to pay for 11 days of prepaid interest since the day of closing is also included. Hence, if you signed a 30 year mortgage, your mortgage is actually for 30 years and 11 days!



18. GOVERNMENT TAXES

In Georgia, a **transfer tax** is required to be paid when title changes hands from one owner to another. In most cases, this fee is \$1 per \$1000 of the purchase price. So a \$200,000 transfer would require a \$200 tax to be paid at closing.

Anytime a new mortgage is obtained on a property, an **intangibles tax** is required to be paid so the lender can use foreclosure laws to collect on the debt if for any reason you are not able to fulfill the obligations of your mortgage. The lender passes this fee on to borrowers as a cost of doing business. This fee is \$3 per thousand of your loan amount. For the above example, if you finance 100% of the purchase price of \$200,000, the intangibles tax to be paid at closing would be \$600.

19. MISCELLENOUS EXPENSES PAID AT CLOSING

The above list is in no way complete and vary by transaction. Below is a list of some other common fees found in Georgia.

- **Tax Service Fee:** A fee paid to a third party that handles the payments for local property taxes.
- **Document Recording Fees:** Fees paid to the county on a per page basis to record various types of deeds and mortgages
- **Credit Report Fee:** Reimbursement to the lender for the cost of pulling your credit report.
- **Loan Discount Points:** An optional cost paid to the lender for obtaining a lower than market interest rate on your home.
- **Flood Certification:** Cost paid to ensure you're your home is not located in a flood zone
- **GRMA Per Loan Fee:** A 10.00 fee required to be paid to the state for each mortgage loan originated as required by the Georgia Residential Mortgage Act

FEES PAID AFTER CLOSING

20. MOVING COSTS

The cost for a professional movers can vary drastically based on the size of truck, distance you are moving, and the number of movers needed. Costs can also increase during peak seasons. Ensure you are properly budgeting for your moving costs

21. SERVICE & UTILITY CHARGES

The availability of local services and utilities vary drastically from one area to the next. Depending on locality, any new utility that service that you hook up, such as telephone or cable, may require an installation fee.



NOW THE GOOD NEWS

You have now seen the long list of many of the costs and fees that are commonly associated with closing on a home in the state of Georgia. Using one or more of the strategies below, you may be able to reduce or eliminate most, if not all, of the costs and fees to be paid at closing. This leaves you with only the responsibility to pay your required down payment at closing, if any!

- In your contract, you can have the seller pay all or a portion of your closing costs. As part of the contract negotiation in Georgia, it is common for buyer's to ask sellers to pay all or a portion of the buyer's closing costs, up to a particular dollar amount. Discuss with your lender and real estate agent as to what dollar amount you should negotiate for the seller pay for at closing.
- Many lenders will give you a credit towards your closing costs by agreeing to pay a slightly higher interest rate on your mortgage loan. By agreeing to pay a few extra dollars a month, your lender can offer you a credit to your closing costs that can literally save you thousands of dollars at the closing table.
- Do some comparison shopping. Keep in mind most of the fees paid at the closing by the buyer are to the lender and to the closing attorney. Some of these fees are negotiable while others are not. Be sure to ask your lender and closing attorney what their fees will be before engaging them for their services. Ask your lender for an upfront disclosure of all of the costs and fees associated with obtaining your selected mortgage loan. Fees can vary dramatically from lender to lender based on the loan amount, loan product selected (FHA, VA, Conventional etc), and the actual interest rate quoted by the lender.

THANK YOU!

We hope you have found the content in this free report valuable. Be sure to download a copy of our Free Home Buying E-book "**7 Steps To Becoming a Homeowner**" by visiting www.GeorgiaChoiceRealty.com/free/ If you have any questions about the home buying or selling process, just give us a call at 678-261-4901. You can also send an email to us at homes@georgiachoicerealty.com. We look forward to serving you for all of your real estate needs!



ABOUT US

Georgia Choice Realty, LLC is a husband and wife team located in Snellville, GA. We specialize in selling residential homes located in all of Gwinnett County and in surrounding communities.



BRADLEY TAYLOR, REAL ESTATE BROKER

Bradley is the founder and manager of Georgia Choice Realty, LLC. Bradley graduated from the University of Georgia in 1998 with a Bachelor's Degree in Finance. While attending the University of Georgia he developed a passion and interest in real estate investing and real estate sales. Bradley first obtained his real estate license in 2000 and has been practicing real estate sales ever since. Bradley is a dedicated real estate agent and husband. He strives to provide customers with exceptional service and win-win outcomes. He is totally dedicated to his clients and their needs. Bradley is a technology guru and strives to discover more and better ways to use technology for the benefit of his clients.



JADE TAYLOR, REAL ESTATE AGENT

Jade is Brazilian by birth and American by heart. Jade is the glue that holds us together. Jade is fluent in English, Spanish and Portuguese. Before becoming a real estate agent, Jade worked for the largest bank in Brazil handling and facilitating trade and currency exchange transactions amounting to millions of dollars daily. She is very detailed and customer service oriented. Here at Georgia Choice Realty, Jade specializes in finding that perfect home for each of her clients. Jade is well known for her friendly and outgoing personality. She will guide you through the entire real estate sales process and handle your transaction in a kind and professional manner.