

# What You Should Know About Closing Costs



Before you buy a home, it's important to [plan ahead](#). While most buyers consider how much they need to save for a [down payment](#), many are surprised by the closing costs they have to pay. To ensure you aren't caught off guard when it's time to close on your home, you need to understand **what closing costs are and how much you should budget for**.

## **What Are Closing Costs?**

People are sometimes surprised by closing costs because they don't know what they are. According to [Bankrate](#):

*“Closing costs are the fees and expenses you must pay before becoming the legal owner of a house, condo or townhome . . . Closing costs vary depending on the purchase price of the home and how it's being financed . . .”*

In other words, your closing costs are a collection of fees and payments involved with your transaction. According to [Freddie Mac](#), while they can vary by location and situation, closing costs typically include:

- Government recording costs
- Appraisal fees
- Credit report fees
- Lender origination fees
- Title services
- Tax service fees
- Survey fees
- Attorney fees
- Underwriting Fees
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### **How Much Will You Need To Budget for Closing Costs?**

Understanding what closing costs include is important, but knowing what you'll need to budget to cover them is critical, too. According to the *Freddie Mac* article mentioned above, the costs to close are typically between 2% and 5% of the total purchase price of your home. With that in mind, here's how you can get an idea of what you'll need to cover your closing costs.

Let's say you find a home you want to purchase for the [median price](#) of \$366,900. Based on the 2-5% *Freddie Mac* estimate, your closing fees could be between roughly \$7,500 and \$18,500.

Keep in mind, if you're in the market for a home above or below this price range, your closing costs will be higher or lower.

### **What's the Best Way To Make Sure You're Prepared at Closing Time?**

*Freddie Mac* provides great advice for homebuyers, [saying](#):

*"As you start your homebuying journey, take the time to get a sense of all costs involved – from your down payment to closing costs."*

Work with a team of trusted real estate professionals to understand exactly how much you'll need to [budget](#) for closing costs. An agent can help connect you with a lender, and together your expert team can answer any questions you might have.

## **Bottom Line**

It's important to plan for the fees and payments you'll be responsible for at closing. Work with a local real estate professional who can help you feel confident throughout the process.