

Extra Costs To Be Aware Of Before Buying a Home

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 its better to know about them ahead of times 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 is unbudgeted financial obligations cropping up hours before your take possession of your new home.

Read through the following check-list to make sure you're budgeting properly for your next move.

1. Appraisal Fee

Your lending institution may request an appraisal of the property, which would be your responsibility to pay. Appraisals can vary in price from approximately \$300-\$600.

2. Property Tax

1. If your property taxes are not added to your monthly payments, your lending institution may require annual proof that your taxes have been paid.
2. You or your lending institution may request to include your property tax in your monthly mortgage payments.
3. If that is the case, your lending institution may escrow up to 6 months of taxes.

3. Survey Fee

When the home you plan to purchase is a resale (*vs. a new home*), your lending institution may ask for a survey update. The cost for the survey can vary between \$350-\$500.

When you buy a new house, or when you buy an old house but a lending institution requests a new survey (this may happen if the old survey is at the title insurance company's opinion, or if the old survey cannot be located, or if there are some legal issues that may affect the lot size boundaries, or for some other possible reasons), the cost for the new survey can vary between \$500-\$700.

4. Property Insurance

Home insurance covers the replacement value of your home (*structure and contents*). Your lending institution will request proof that you are insured as it protects their investment on the loan. You or your lending institution may request to include your property insurance to be included in your monthly mortgage payment. If that is the case, your lending institution may escrow up to 12 months of insurance.

5. Service Charges

Any new utility that services your hook up, such as telephone or cable, may require an installation fee.

6. Legal Fees

Even the simplest of home purchases should have a lawyer involved to review all paperwork. Shop around, as rates vary greatly depending on the complexity of the issues and the experience of the lawyer. In addition, a buyer will be responsible for bank attorney fees, which can vary between \$700-\$1500.

7. Private Mortgage Insurance Fee

Depending upon the equity in your home (if you borrow more than 80% of the house value) some mortgages require mortgage loan insurance. This type of insurance will cost you between 0.5%-0.9% of the total amount of the mortgage. Usually payments are made monthly in addition to your mortgage and tax payment.

8. Mortgage Brokers Fee

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.

9. Moving Costs

The cost for a professional mover can cost you in the range of:

- \$50-\$100/hour for a van and 3 movers, and
- 10-20% higher during peak demand seasons.

10. Maintenance Fees

Condo and Co-Op charge monthly fees for common area maintenance such as grounds keeping and carpet cleaning in hallways. Costs will vary depending on the building.

11. 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. Depending upon where you live, determines whether or not a fee is charged, to certify the quantity and quality of the water.

12. Local Improvements

If the town you live in has made local improvements (such as the addition of sewers or sidewalks), this could impact property taxes by thousands of dollars.

13. Property Transfer Tax

This tax is applied whenever property changes hands and the amount that is applied can vary.

14. Mansion Tax

If you are buying a house or a condo for one million dollars or more, in some states you may pay a mansion tax, which may be up 1% of the purchase price.

15. House Inspection

A home inspector will conduct an inspection for the purpose of informing the buyer of major deficiencies in the condition of the property. The report reveals the conditions of exterior grounds, roofing, exterior and interior of the house, electrical, plumbing, heating and air conditioning systems. The cost of inspection depending of size of the house can vary between \$300-\$800.