

## ASKING FOR CLOSING COSTS



Some aspects of real estate become very routine to real estate agents, who deal with the same issues over and over. However, these same issues are sometimes new to buyers and sellers - and not immediately understood.

This situation came up recently between a buyer and seller.

A home was listed for sale at \$210,000. The excited buyer made an offer to buy the home at \$203,000, asking the seller to pay all of their closing costs.

The seller scratched his head. How much **are** closing costs, anyway?

Closing costs can vary widely, mostly dependent upon the cost of the mortgage loan. The "smart" thing for the seller to do is make a counter-offer and place a limit on the amount of closing costs he will pay on behalf of the buyer. Otherwise, how can the seller anticipate how much he will "net" from the sale of his home?

In this case, the seller countered with a price of \$208,000, agreeing to pay \$5000 of the buyer's closing costs.

This time the buyer scratched his head.

"That's no deal," he complained to his Realtor. "The seller just took my offer and added in the closing costs."

The buyer figured he wasn't getting anything "free" at all. By adding the closing costs to the purchase price, most of those costs would be a part of the loan. Instead of getting his closing costs paid for free, he would be paying them over the life of the mortgage loan.

"That's *exactly* how it works," explained the Realtor, smiling patiently.

"Suppose the seller had accepted your initial offer of \$203,000," continued the agent, "and your closing costs had actually *been* \$5000 -- you would still have been paying most of those closing costs over the life of the loan. The difference is that - if you had paid your own closing costs - you could have got the house for \$198,000."

Counteroffers went back and forth until the final figures were agreed upon.

When a seller pays your closing costs, what makes it a "deal" is that it takes you less **cash** to buy the home. You don't "save" any money -- you just save it **for now..**

..and that can be very important, especially if your funds are limited.