

# An Explanation Of Some Of The Costs You May Incur When You Sell Your Home

## *Paying off the existing first mortgage*

The interest costs on your mortgage are adjusted from the date of your last payment to the date of the closing. Also, check with your mortgage holder to determine if there is a penalty for prepaying your mortgage. (There are no prepayment penalties on either VA or FHA mortgages.)

## *Other financing outstanding on your property*

Home improvement loans, second mortgages, contracts for deed, mechanic's lien, tax liens or judgments all need to be paid at the time of closing.

## *Contract for deed discounts*

If you sell your home and part of the buyer's payment to you is in the form of a contract for deed, the contract can be sold by you to third parties, generally at a discount (less than face value). This rate fluctuates with the money market.

## *Special assessments of record*

The seller usually pays these, but the buyer may be asked to pay this cost or agree to assume it. Some financing options may prohibit a homebuyer assuming specials. If your home is sold with new financing, you may be asked to pay the specials since most lenders will not mortgage a home that has an assessment against it. (This does not include annual special assessments for such things as lighting, park board, garbage pick up, etc.).

## *Pending special assessments*

Provisions usually must be made for the payment of pending special assessments at the time a new mortgage is written. Since the exact cost of a pending special has not yet been established, lenders require that either the buyer or seller deposit about two times the estimated amount into an escrow account until the exact cost has been established. At that time, the specials will be paid and the extra funds in the escrow account returned to whoever paid them. Closing such an escrow account sometimes takes as long as a year.

## *State deed tax*

This is established by the selling price of the home. The rate is \$3.30 for each \$ 1,000 of the purchase price.

## *Balance of real estate taxes due at closing*

Check with your lender to determine this figure if your taxes are escrowed.

## *Placement*

This comprises the points that are paid to a lender as part of the new financing for your home.

## *Buyers closing cost*

In some instances, buyers ask sellers to pay their closing costs for new financing. This fee is in addition to the mortgage placement fee.

## *Other costs*

The following are other costs that are sometimes incurred as a condition of your purchase when qualifying for new government financing: survey, water test, bringing your electrical service up-to-date, making necessary plumbing repairs or repainting the exterior and/or interior of your home.

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