THE REAL COST *of Buying* A HOME

Are you thinking about buying a home? Congratulations! There is no doubt that buying kicks off a flurry of activity, but before you start your search it is important to understand just how much it will cost you, right? Some surprises are fun, but surprise expenses are NOT! Let's talk about all the possible costs you may incur as a buyer so that you budget accordingly.

This is a rough guide. Some of these expenses will apply to you, while others will not. The amount of each expense will vary based on several factors such as the age of the home, the price of the home, the state of the market, and more. If you want numbers specific to your circumstances, you will find our contact information at the end of this guide. We are happy to walk you through these calculations, minimize your expenses, and get you into the home of your dreams!

Please keep in mind, this list does not include your down payment. You will need to account for that separately.

Prior to Making an Offer

Depending on your situation, you may start to incur some expenses before you even make an offer. These expenses can include:

#1: Travel

If you are moving to a new area, chances are you will want to visit before you start your house hunting journey. Be sure to budget for any necessary travel expenses such as airfare, car rentals, accommodations, etc.

#2: Mileage

Even if you aren't looking out of state, you will likely put some extra miles on your vehicle prior to finding your future home. You may want to drive around familiarizing yourself with different neighborhoods, practicing your new commute, and more. Be sure to budget a little extra for gas while you are looking for your future home.

Prior to Closing & Closing Costs

Did you know that some expenses you incur as a buyer will be paid before you even own the house? It's true! Here are some items you may need to shell out cash for prior to closing.

#1: Inspections

We highly recommend getting a home inspection prior to purchasing a home. Inspectors are experts at identifying deficiencies and highlighting possible expenses you may need to budget for. They will determine if the home is in good working order, and if the major systems are functioning as expected for their age.

The inspections you want to do will depend on the home and may include:

- General Professional Home Inspection
- Pool Inspection
- Roof Inspection
- HVAC Inspection
- Termite/Pest Inspection
- Sewer Scope
- Septic Inspection
- Well Inspection

We can help you determine which inspections are the best use of your hard-earned money based on the specifics of the property you wish to buy. Remember, spending on an inspection upfront could save you a lot of money and frustration down the road.

#2: Deposit

In addition to the down payment, you will also have a deposit. You may also hear this referred to as earnest money or a good-faith deposit. This is the amount of money you offer to the Seller upfront to show your sincere interest in the property. Typically, this money is held by a third-party and will be refunded to you if your purchase conditions are not satisfied.

#3: Lender Fees & Interest

Assuming you are getting a loan to purchase your home, you will also need to account for a few mortgage related expenses.

This includes things like a credit report, wire transfer fees, commissions, and an appraisal. Chat with your lender for an idea of how much these fees will be.

Your lender may also require that you pay the interest due on your mortgage for the period between your closing date and the first day of the next month, in advance. Don't have a lender? Don't worry! We would be happy to put you in contact with a great local lender who can keep your costs down.

#4: Title, Attorney, and/or Escrow Fees

Expert third parties will ensure that your new home is properly transferred into your name. They will also ensure that monies are disbursed to the correct parties. Examples of things that will be adjusted for include property taxes, HOA fees, community fees, insurance, mortgage fees, etc. Be sure you understand which fees are the Seller's responsibility and which fees are your responsibility.

#5: Utilities

Some utility companies may require an upfront deposit to activate services on your new home.

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#6: Insurance

You will need to ensure you have secured and paid for insurance for your new home, prior to closing.

#7: Sales Tax & Property Taxes

In some instances, your purchase may be subject to sales tax. You will also need to pay your prorated share of property taxes, if applicable.

#8: Home Warranty

You may wish to purchase a home warranty for your new home. This policy protects you from large expenses if any of the major systems or appliances fail.

#9: Bank Fees

This one isn't significant but worth keeping in mind. When paying your earnest money deposit or sending the funds to close you may need a cashier's check or a wire transfer. Often there is a nominal charge from your bank for this service.

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#10: Moving Costs

It's funny but this is one of the most forgotten expenses! Don't forget to budget for all packing and moving expenses. This includes boxes, tape, moving trucks, storage rentals, movers, etc. You might also want to budget for pizza and beer as a thank you to family and friends for helping you!

#11: Transitionary Accommodation

Do you need somewhere to stay in between leaving your current home and buying your next one? If so, be sure to budget for all costs associated with that interim accommodation. This can include rent, deposits, utilities, and more. If you will be closing on your next home before you sell your current home be sure to budget for the ongoing expenses of both homes at the same time.

After Closing

Once you have closed on your new home you will start to incur other expenses. Some expenses you will want to plan for include:

#1: Repairs

Your inspections may have noted some deficiencies that you wish to rectify immediately. If so, be sure to budget for those repairs.

#2: Improvements & Upgrades

You may be planning to make improvements to your property after closing. Be sure to budget for these accordingly and get quotes as needed.

How Much Should you Budget Overall?

As mentioned at the beginning, the costs associated with selling depend on many different factors. If you would like specific numbers for your home and your unique circumstances, please get in touch. It would be our pleasure to draw up a custom net sheet showing you exactly how much you can expect to net on the sale of your home in different scenarios.

Overall, you should budget roughly 10% of your home's sale price in expenses. If you end up spending less, you will be pleasantly surprised, and you can put that extra money towards your next home.

Costs after closing will depend entirely on what you plan to do once you take possession of your new home. Do your research and make an itemized timeline of expenses for repairs and upgrades.

Congratulations and happy house hunting!

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