

## **WHAT DOES IT COST TO SELL A HOME?**

When a Real estate Agent comes to list your home the agent should have a net sheet with them. A net sheet is a breakdown of seller costs. It's called a net sheet; because it shows approximately how much the seller will be netting or receiving from the sale of the home.

Let's start by telling you that to sell your home using a Real Estate Agent the home seller will pay between 5-6% of the purchase price of the home in total fees and commissions.

### **What is included:**

1. Commission
2. Title Fees
3. Escrow Fees
4. HOA Transfer and Document Fees
5. Possible Termite Inspection
6. Flood Certification/Where applicable
7. Home Warranty
8. Request for Repairs or credits (including possible termite work)
9. Natural Hazard Disclosure Statement
10. County Transfer Taxes
11. Paying off Mortgages and Liens

**In order to demonstrate, we will use a \$ 500,000 home as an example.**

### **Commissions**

The Listing Broker's/Real Estate Agent's commission varies as to geographical location but for most transactions in SD County **5-6 %** is the most common commission charged. This translates in the case of a **5%** commission to **2 ½ %** to

the Listing Broker, that is the agent the seller hires to sell the home, and then **2 ½%** to the selling broker, or the agent who represents the home buyer. It is a little confusing but the selling agent is the one who brings the buyer.

Now let's take that \$500,000 property. If the commission is agreed upon to be 5%, that will come to **\$25,000, \$12,500.00** to each side of the transaction.

### **Title Charges**

The home seller's portion of title insurance will cost approximately **\$ 1,320.00** on that \$500,000 home. Title insurance is an insurance policy the seller buys to insure a clear title with no liens from individuals, government entities or claims of ownership by others. Included in Title Fees, you will also see a wire fee and other Title fees totaling an additional **\$100**.

### **Escrow Fees**

Both sellers and buyers pay their own escrow fees. On that \$500,000 home, Escrow fees will cost **\$1,500**. That figure is arrived at by taking a base fee of \$ 250.00, and adding a charge of \$2.50 per thousand of the sale price of the home. In addition to that fee, you will be paying a **documentation fee** of **\$75.00**, and the seller also pays a **loan payoff fee** of **\$50.00** per loan payoff. Also be prepared to pay a **wire fee** of **\$25.00** and an **archive fee** of **\$50.00**. (note: all fees are estimated and can vary)

The seller will be required to pay for the water heater to be properly installed and strapped in for those earthquakes we get to enjoy from time to time and speaking of earthquakes, an emergency shut off valve needs to be installed at your gas meter. The seller needs to have a CO detector installed when

selling a home in California on each floor as well as required well-placed smoke detectors.

### **HOA Transfer Fees**

HOA transfer fees and **HOA Document Transfer Fees** only apply when you have HOA's involved. These documents will vary but some HOA Docs can run as much as **\$300-\$400**. The buyers are going to be eager to get these so they can review them to determine what will be expected of them by the Home Owners Association, and in turn, decide if they want to buy the home with the particular HOA regulations.

### **Termite Inspection**

**As of November 20, 2014, the Wood-pest Addendum to the California Residential Purchase agreement was stricken from the agent's library of forms. Before that time, a termite inspection and work needed to be performed for termite clearance was the sellers' responsibility. Now, the termite inspection is negotiable. There are still two instances where a termite clearance is required to get lending on a house and that is in the case of a V.A. loan, or an FHA loan.**

### **Home Warranty**

There is a line in the Residential Purchase agreement that gives the buyer the option to ask for a **home warranty**. You as the home seller will be asked by the buyer to purchase a home warranty plan. This policy is not required, but is normal industry practice. Generally speaking, paying for a home warranty is a good faith gesture by the seller to home buyer. The seller will be asked to purchase a home warranty plan for one year. These

warranties generally cost from **\$450-\$700**. This warranty is paid through escrow out of the proceeds from the sale of the home. Some sellers ask me if they have to pay for the warranty, and the answer is no, in fact a buyer can ask for whatever they want, but if you read the Residential Purchase Agreement, it plainly states that the property for sale is as is... but as I said, when the seller purchases a home warranty, they are showing some good faith to the buyer.

### **Transfer Taxes**

Home sellers will be paying State and local Transfer Taxes. In SD County these transfer taxes will generally set the seller of a \$500,000 home back approximately **\$ 550.00**.

### **Natural Hazard Disclosure**

In the state of California, a Natural Hazard Report is required to be commissioned for the buyer. **NHD** reporting companies charge approximately **\$85-\$125** for these reports. These reports are very detailed and are interesting to read. They include information regarding flood zones, earthquake faults, Toxic Mold information, Megan's Law, Airport influence and their proximity and so on.

### **Requests for Repair**

The California Residential Purchase Agreement says clearly on page 4 unless otherwise agreed: *the Property is sold (a) in its PRESENT physical ("as-is") condition as of the date of acceptance*. That is all well and good, but the buyer has the opportunity to perform inspections and request repairs or credit from the seller to compensate for repairs needed on the property. The seller has the right to refuse to repair or compensate for repairs, but sellers need to know that in most cases, buyers will be requesting repairs and they need to be prepared to address those early on in the transaction.

## **Paying Off the Mortgage**

If the seller has not paid for the home in full, the biggest and most important part of the closing costs are going to be paying off the balance of your loan or Mortgage. Escrow will get the totals for the loan payoff from the seller's bank including fees to satisfy and payoff the loan before the seller sees any of the money from the sale of their home. If you happen to have any liens on the house including tax liens or otherwise, those obligations will need to be settled as well.

*So let's look at the totals, and at the same time, summarize the costs of selling a home with a sale price of \$500,000.*

### **Totals**

<b>Commissions at 5%</b>	<b>=</b>	<b>\$25,000</b>
<b>Escrow Fees =</b>		<b>1,600</b>
<b>Title Insurance =</b>		<b>1,420</b>
<b>Transfer Taxes=</b>		<b>550</b>
<b>Termite Inspection =</b>		<b>100</b>
<b>HOA Documents =</b>		<b>if needed</b>
<b>Home Warranty =</b>		<b>600</b>
<b>NHD Report =</b>		<b>95</b>
<b>Total</b>	<b>=</b>	<b>\$29,215</b>

### **Property Tax Refund**

The seller needs to pay their property tax up until the date when they leave the property. If the seller has prepaid their property taxes which often are the case, they will get the prorated money back from the State.

HOA Pro rated dues will be refunded for those of you who pay HOA fees. If you have pre-paid your fees, you will be getting back some of that money.

### **Escrow Pad**

Escrow will often overestimate the costs of doing business in order to have a pad, enough money where they don't have to go running to the seller asking for more money. That pad is generally around \$500. You may get some of that back.

### **Additional Costs to the Seller**

Not everything can be calculated as far as costs to the seller because there are items like I have already described to you like **requests for repairs**, unforeseeable **termite damage** and costs to remediate that damage which can be pretty expensive in some cases.

In some cases, the Real Estate Agent may suggest the seller make some repairs or improvements before the home goes on the market. That will be another expense to the seller as well but that kind of expense will go a long way towards getting a better price on the home. With that said, the seller does not have to make any improvements that will cost them money and create a monetary hardship. Often those repairs can be worked out at the close of escrow in the form of a credit to the buyer. That way the seller can in essence have the buyer do the repair after close of escrow with no out of pocket cost to the seller until after the sale of the home.