



Understanding Closing Costs and the Settlement Statement



This document explains **what closing costs are, how they are determined, and how to read a settlement statement** (often called a Closing Disclosure or HUD-1). It is proudly provided by **ERA Liberty Realty** and **Link'd Properties** to help buyers and sellers navigate real estate transactions across **West Virginia (WV), Maryland (MD), and Virginia (VA)** with confidence. It is designed to help buyers and sellers clearly understand where their money goes at closing.

1. What Are Closing Costs?

Closing costs are the fees and expenses required to complete a real estate transaction. They are paid at the time of settlement (closing) and are separate from the purchase price of the property.

Both buyers and sellers typically have closing costs, though the types and amounts differ depending on:

- Purchase price
 - Loan type
 - Location (state, county, and municipality)
 - Contract terms
 - Lender requirements
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2. How Closing Costs Are Determined

While many closing costs are similar across the region, **state and local regulations in WV, MD, and VA can affect how fees are calculated and who customarily pays them.**

Closing costs are not arbitrary. Each fee is based on one or more of the following factors:

A. Purchase Price

Many fees are calculated as a **percentage of the sales price**, including:

- Transfer taxes
- Recording fees
- Title insurance premiums

B. Loan Amount & Loan Type (Buyers)

If a buyer is financing the purchase, loan-related costs are influenced by:

- Loan amount
- Conventional, FHA, VA, or USDA loan
- Interest rate and points
- Lender-specific fees

C. Location (WV, MD & VA Specific)

State and local laws significantly impact closing costs. In West Virginia, Maryland, and Virginia, this can include variations in transfer taxes, recording fees, and title insurance customs. State and local laws affect:

- Transfer and excise taxes
- Recording fees
- Required inspections or certifications

D. Contract Negotiations

The purchase agreement may specify:

- Which party pays certain fees
- Seller concessions or credits
- Prorations for taxes, HOA dues, and utilities

E. Timing of Closing

Some costs are **prepaid or prorated**, meaning they depend on the exact closing date:

- Property taxes
- Homeowners insurance
- Mortgage interest
- HOA dues

3. Common Buyer Closing Costs

Buyers may see some or all of the following:

Loan-Related Costs

- Loan origination fee
- Discount points (if applicable)
- Credit report fee
- Underwriting and processing fees

Third-Party Services

- Appraisal
- Home inspection (usually paid before closing)
- Survey (if required)
- Flood certification

Title & Legal Fees

- Lender's title insurance
- Title search and exam
- Settlement or closing fee
- Recording fees

Prepaid & Escrow Items

- Homeowners insurance premium
- Prepaid mortgage interest
- Initial escrow deposits for taxes and insurance

4. Common Seller Closing Costs

Sellers typically pay:

- Real estate commissions (as agreed in listing contract)

- Owner's title insurance (varies by region)
 - Transfer or excise taxes
 - Recording fees related to deed transfer
 - Prorated property taxes and HOA dues
 - Agreed-upon buyer credits or concessions
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5. What Is a Settlement Statement?

A **settlement statement** is the final accounting of the transaction. It shows:

- The full purchase price
- All buyer and seller costs
- Credits and prorations
- The final amount the buyer must bring to closing
- The final proceeds the seller will receive

Common Settlement Statement Forms (WV, MD & VA)

Settlement documents used in West Virginia, Maryland, and Virginia generally follow federal standards, but local practices may still influence how certain charges appear.

- **Closing Disclosure (CD):** Used for most residential transactions with a mortgage
 - **HUD-1:** Still used in some cash or non-consumer transactions
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6. How to Read a Settlement Statement

Settlement statements are organized into sections:

A. Transaction Summary

- Purchase price
- Loan amount
- Cash to close (buyer)
- Cash to seller (seller proceeds)

B. Loan Details (Buyers)

- Interest rate
- Monthly payment
- Loan costs vs. other costs

C. Closing Cost Breakdown

- Lender fees
- Title and settlement fees
- Government recording and transfer taxes

D. Prorations & Adjustments

- Property taxes divided between buyer and seller
- HOA dues credited or charged
- Seller credits and concessions

7. Why Closing Costs Can Change

In WV, MD, and VA transactions, closing costs are estimated early but may change due to regional tax adjustments, lender updates, or changes required by local recording offices.

Closing costs are estimated early in the process but may change due to:

- Adjustments to loan terms
- Changes in interest rates or points
- Updated tax or insurance figures
- Repairs or credits negotiated after inspections
- Final prorations based on the actual closing date

Federal regulations require lenders to explain significant increases and provide updated disclosures.

8. Final Review Before Closing

Before signing, all parties should:

- Review the settlement statement carefully
- Compare it to initial estimates
- Ask questions about unfamiliar charges
- Confirm credits and prorations are correct

Your real estate professional and settlement agent are there to ensure accuracy and clarity.

9. Key Takeaway

For buyers and sellers in **West Virginia, Maryland, and Virginia**, closing costs and settlement statements are shaped by **state law, local custom, contract terms, loan requirements, and timing**—not guesswork.

Closing costs and settlement statements are the result of **law, contract terms, loan requirements, and timing**—not guesswork. Understanding how they are calculated helps buyers and sellers avoid surprises and feel confident at the closing table.

This document is for educational purposes only and does not replace advice from a lender, attorney, or settlement agent.