The Closing Disclosure Breakdown

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Kalen Ludwig and her team at Peoples Company partner with Settle Up to close their real estate transactions. Danielle Guisinger with Settle Up is an expert in many areas of the closing process, but this blog features Danielle's breakdown of a CLOSING DISCLOSURE.

When buying property, whether residential, commercial, or land, a very common question from buyers is, "how much money will I need to bring to closing?" There are many factors that play into the financial piece of buying real property, and it is all shown on what is called a Closing Disclosure – also known as a "CD."

A Closing Disclosure is the accounting piece of a transaction – it is the breakdown of closing costs and credits for both the buyer and seller. The "CD" is created by a settlement agent or lender, who receives figures from all sides of the equation and makes sure that it balances – what comes in must go out, am I right? Just think about those balance sheets you had to do in that really horrible accounting class you took in college.

The first three pages of the CD are the heart and soul, and it's important to ensure that the information on these pages is accurate. On page one, you will find the purchase price, loan amount, interest rate and final cash to close, which is calculated on the following pages.

Page two is the breakdown of costs associated with the transaction, organized into sections A through G. Sections A through C show fees related to your loan and bank fees – which is then subtotaled in Section D. Section E shows the recording fees to record the Deed and Mortgage – we want to show the world that you now own this property! Sections E and F disclose insurance, creation of escrow, and prepayment of a year of homeowner's insurance. And finally, section G typically has miscellaneous costs like home warranties, real estate brokerage fees, etc. Section I subtotals sections E through G, and then Section J adds the whole page to show the final amount of your closing costs.

If you're not interested in a breakdown of the fees, skip right over this to page 3 for a summary of the transaction. Section K, which is the top box, shows what the buyer OWES to buy the property – which typically entails the purchase price and the closing costs, pulled over from page 2. Section L shows any credits that the buyer is receiving, including the loan amount, earnest money deposit, credits from the seller, and tax proration credits.

So here's the "easiest" part – take Section K (what you owe) and subtract Section L (what you're being given), and BOOM, that's what you need to bring to closing to purchase your property. Easy, right?

Page four shows loan disclosures about your particular loan – whether you are escrowing, whether another person can assume the loan and really boring facts that no one seems to care about these days. And finally, page five shows all the players involved in the transaction – your teammates who got you from the beginning to the end.

Closing Disclosures are being prepared, changed, and reviewed by the lender, real estate agents, attorneys, and accounting personnel from the time the property goes under contract until closing. So, rest assured, the document that is presented to you should be in tip-top condition, and you should feel confident that all fees are accounted for correctly.