

# Closing Fees Explained

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**Title Search:** This fee covers the work involved in retrieving documents evidencing events in the history of a piece of real property to determine relevant interests in and regulations concerning that property.

In the case of a prospective purchase, a title search is performed primarily to answer three questions regarding a property on the market:

- Does the seller have a saleable and marketable interest in the property?
- What kind of restrictions or allowances pertain to the use of the land? These would include things like covenants, easements or restrictions.
- Do any liens exist on the property which need to be paid off at closing? These can include mortgages, back taxes, mechanic's liens, and other assessments.

**Lender's Title Insurance Policy:** This lender's policy is required by most lending institutions to insure their security interest in the property. This policy protects the bank or other lending institution for as long as they maintain an interest in the property (typically until your mortgage is paid off). The cost of the policy is based on the loan amount.

**Owner's Title Insurance Policy:** An Owner's Policy is issued in the amount of the real estate purchase. It is purchased for a one-time fee at closing and lasts for as long as you have an interest in the property. Only an Owner's Policy protects the buyer should a covered title problem arise.

Possible hidden title problems can include:

Errors or omissions in deeds

Mistakes in examining records

Forgery

Undisclosed heirs

An Owner's Policy provides assurance that your title insurance company will stand behind you—monetarily and with legal defense if needed—if a covered title problem arises after you buy your home.

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**Doc Prep fees:** Charge for the cost of preparing legal papers needed for the closing

**Recording fees:** A recording fee is the fee charged by a government agency for registering or recording a real estate purchase or sale, so that it becomes a matter of public record. Recording fees are generally charged by the county since it maintains records of all property purchases and sales. The recording fee varies from county to county.

**Transfer taxes:** This tax is collected in some localities whenever property changes hands or a mortgage loan is made. The tax collected is a percentage of the sales price and loan amount. The tax can be quite large and is set by state and/or local governments.

**Closing or Settlement fee:** A fee paid to a settlement agent who has prepared documents, calculated figures, and oversees proper execution of closing documents and conducts the closing.

**Title Commitment:** Fee to prepare the title company's written promise to issue a title insurance policy for the property after closing. The title commitment contains the same terms, conditions, and exclusions that will be in the actual insurance policy.

**Delivery/Wire fee:** Fees to cover necessary courier or Fedex charges needed to complete the transaction (on average we are wiring or overnighting 5 items per file)

**Archive fee:** Legal closing documents need to be stored by the title company for a minimum of five years. This fee helps cover the costs of the storage and retrieval of these documents.

**Title Examination:** Fee to cover the review (by a licensed title agent) of the title search results/abstract in order to determine requirements needed to be met to insure the transaction. Ex: paying off seller's loans, making sure taxes are up to date etc.

**ICL (Insured Closing Letter also know as a Closing Protection Letter):** A closing protection letter is essentially an agreement from a title insurance company to a lender that indemnifies the lender against any issues arising from a closing agent's errors, fraud or negligence. For instance, if a closing agent misappropriates loan funds, the title insurance company agrees to make any necessary financial remediation.

**Deed Prep:** Fee for drafting the document that conveys the property from the seller to the buyer and states the warranties and rights that the seller is granting the buyer.

**Payoff Processing Fee:** To payoff a loan, a homeowner needs to provide contact information for their lender to the title company, and the title company will request a payoff letter from the lender. This fee is a charge for processing the payoff letter request and handling the payment of and close out of the loan.