

# MAKING SENSE OF CHICAGO'S CLOSING COSTS

*What you will pay at closing.*
*Why Chicago is a little different.*


Maureen Moran

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# A THOUGHT BEFORE YOU BEGIN

Closing costs surprise a lot of buyers. That is not anyone's fault. Buying a home often happens at the same time as a new job or a growing family. There is a lot going on. It is easy to miss the small print.



It helps to learn the basics first. Most fees are paid at closing. That includes your attorney, your lender, the title company, and your agent. A few, like your home inspection, are paid sooner. Everyone wants you to get to the closing table.

Illinois has a few special rules. Property taxes work in a way that may be new to you. Chicago adds its own tax when a home is sold. You will also work with several helpers, and each one has a job. None of this is hard once you know the steps. This guide will show you.

*Know the numbers before you make an offer. Then closing day has no surprises.*

# WHO IS THIS FOR

This guide may help if:

- You are buying your first home in Chicago and want to know what closing costs to expect.
- You are moving here from another state. Chicago has some costs you may not know.
- You have bought a home before, but not here.
- You want to know what to expect before you talk with your lender and attorney.

*Closing costs in Chicago are often 2% to 4% of the price of the home. You pay this on top of your down payment. Knowing where the money goes, and when, helps you plan with confidence.*

# THREE THINGS WORTH KNOWING FIRST

Before you plan your budget. Before you make an offer.



Illustration

**Chicago has its own transfer tax.**
A transfer tax is a fee for moving a home from one owner to the next. If you buy a home inside the city of Chicago, you pay $3.75 for every $500 of the price ($7.50 per $1,000). The seller pays other transfer taxes. If you buy in a suburb, ask if that town has a transfer tax too. Who pays can be different in each town.

*A useful question: Which transfer taxes apply to this home, and who pays them?*

**The seller gives you a credit for property taxes.**
In Illinois, you pay property taxes one year late. The bill you pay this year is for last year. The seller owned the home for part of this year, so the seller owes taxes for those days. At closing, the seller gives you a credit for that part. The credit is a percentage of the last tax bill. You and the seller agree on the percentage in the contract. The credit lowers the money you bring to closing.

*A useful question: What was the last tax bill, and how will the credit change what I pay?*

**You will see your numbers twice before you pay.**
The law says your lender must send you a Loan Estimate within three business days of your loan application. It lists the costs you can expect. Then you get a Closing Disclosure at least three business days before closing. It shows the final numbers. Your attorney will help you too. By closing day, nothing should be a surprise.

*A useful question: Did I compare my Loan Estimate to my Closing Disclosure?*

Your lender must send the Closing Disclosure at least three business days before closing. If it comes late, your closing date can move. Book your movers early, but ask what happens if your date changes.

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# WHAT BUYERS PAY AT CLOSING

Buyer costs fall into three groups: lender fees, other helpers' fees, and money paid ahead of time. Here is what each one means.

**LENDER FEES.** These are fees from the lender who gives you your loan.

| Cost | Range |
|---|---|
| Appraisal | $250–$500 |
| Credit report | $30–$75 per borrower |
| Underwriting fee (lender checks your loan) | $750–$1,000 |
| Processing fee | ~$150 |
| Flood certificate (is the home in a flood zone?) | $50–$100 |
| Tax service fee (tracks your tax bills) | $85–$200 |

Lender fees are different at each lender. Shop around. You can often negotiate.

**OTHER FEES.** These are fees from other people who help with your purchase.

| Cost | Range |
|---|---|
| Real estate commission | Negotiated |
| Attorney fee | $600–$1,000+ |
| Settlement or closing fee (the title company runs your closing) | $250–$1,000 |
| Lender's title policy (protects your lender) | $250–$1,000 |
| Recording fees (the county records your deed) | $75–$250 |
| Inspection | $350+ per visit |

In Chicago, it's customary for the buyer and the seller to each have their own attorney.

*The amount you bring to closing is an estimate. You can pay with a cashier's check or a wire transfer. If you bring too much, you get the extra back at closing.*

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# WHAT BUYERS PAY AT CLOSING
(continued)

**PREPAID ITEMS & ESCROW**

If your loan has an escrow account, the lender collects some money up front. Escrow is a savings account the lender keeps. It pays your property taxes and insurance for you.

| Cost | Typical range |
|---|---|
| Prepaid interest (per day) | Loan amount × interest rate ÷ 365 |
| Escrow for property taxes | 1 to 5 months, if you have escrow |
| Escrow for homeowner's insurance | 1 to 5 months, if you have escrow |

*Prepaid interest pays for the days between your closing day and your first full month of payments. Close early in the month and you pay more interest. Close late in the month and you pay less.*

**A NOTE ON REAL ESTATE COMMISSION**

Agent pay is negotiable. You can negotiate the amount, how it is set up, and who pays it. No law sets the rate.

Sometimes the seller pays some or all of the buyer's agent. Sometimes the buyer pays directly. Sometimes a lender may let you add it to your mortgage. Ask your lender early.

Your buyer representation agreement should say how your agent is paid before your search starts. Make sure you understand it before you make an offer.

A useful question: How is my agent paid, and who pays?

# WHO PAYS FOR WHAT AT A CHICAGO CLOSING

*A side-by-side look at who pays what*

| Cost | Who pays | Usual cost |
|---|---|---|
| **USUALLY PAID BY THE BUYER** | | |
| Lender fees (loan checks and paperwork) | **Buyer** | Different at each lender |
| Home inspection | **Buyer** | $350+ per visit |
| Buyer's attorney (each side has their own) | **Buyer** | $600–$1,000+ |
| Lender's title policy (protects your lender) | **Buyer** | $250–$1,000 |
| Prepaid interest and escrow | **Buyer** | 1–5 months of escrow, if you have it |
| Chicago city transfer tax | **Buyer** | $3.75 per $500 ($7.50 per $1,000) |
| **USUALLY PAID BY THE SELLER** | | |
| Seller's attorney | **Seller** | $600–$1,000+ |
| Owner's title insurance | **Seller** | $500–$2,000 |
| Survey (if needed) | **Seller** | $500–$1,000 |
| City/CTA transfer tax | **Seller** | $1.50 per $500 ($3.00 per $1,000) |
| Cook County transfer tax | **Seller** | $0.25 per $500 ($0.50 per $1,000) |
| Illinois transfer tax | **Seller** | $0.50 per $500 ($1.00 per $1,000) |
| Property tax credit to the buyer | **Seller** | Often 100%–110% of last tax bill |
| **SHARED OR NEGOTIATED** | | |
| Recording fees | **Each pays** | $75–$250 |
| Agent pay | **Negotiated** | No rate set by law |
| Seller help with buyer's costs | **Negotiated** | Case by case |

*Agent pay: the seller often pays some or all of the buyer's agent. Sometimes the buyer pays directly. The transfer taxes here apply only inside the city of Chicago.*

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# HOW THE PROPERTY TAX CREDIT WORKS

Illinois collects property taxes one year late. No one knows this year's bill at closing. So the seller gives the buyer a credit for the taxes the seller owes. The credit is a percentage of the last tax bill, for the part of the year the seller owned the home.

The credit shows up on your Closing Disclosure. It lowers the money you bring to closing. It does not erase your closing costs, but it can help cover some of them. Plan with careful numbers. It's better to have a little extra ready. My guide to the Chicago property tax system explains how the bill itself is figured.

**The proration rate is a point for negotiation.** There is no standard percentage. You and the seller agree on it in the contract, and every deal is different. Buyers often ask for a little extra, such as 105% of the last bill, in case taxes go up. To make an offer stronger, some buyers accept 100%, which means they cover any increase themselves. Most credits fall between 100% and 110%. Your agent can help you decide what makes sense for the home.



**Seller concessions — what you can ask for.** Sometimes a buyer asks the seller to pay part of the buyer's closing costs. This is not common. It happens more when buyers have the upper hand or when the seller needs to sell fast. A seller may also see it as a sign that the buyer is short on money. Your agent can help you decide if it is a good idea.

*The tax credit is one of the best parts of a Chicago closing for buyers. It is not a discount. It is money the seller truly owes.*

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# A SIMPLE READINESS CHECK

This isn't a score. It's just a way to see where you are.

- I know closing costs are separate from my down payment. They are often 2% to 4% of the price.
- I know transfer taxes are different in each place. I asked what applies to my home.
- I know the seller gives me a credit for property taxes. It lowers what I bring to closing.
- I know my lender will send a Loan Estimate early and a Closing Disclosure at least three business days before closing.
- I know the difference between lender fees, other fees, and money paid ahead of time.
- I want an agent who explains each number to me.

If most of these feel true, you're in a good position to move forward with confidence.

# A CLOSING THOUGHT



Buyers feel most sure at closing when they ask good questions early. You do not need to know everything.

The numbers at a Chicago closing can be learned. The credits are real. The people in the room want you to get there. My job is to make sure nothing catches you off guard. When you sit at the table, all that is left to sign.

*A closing shouldn't feel like a surprise. It should feel like a finish line.*

★★★★★

*Maureen guided me through every aspect of my deal, from the showing, offer, negotiation, inspection, financing, and closing; and my experience was exceedingly positive. She has the ability to identify the important issues, which is backed by years of training, targeted research and extensive experience.*

— Megan W., Old Town
Zillow review

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## WHEN YOU'RE READY TO TALK

When the conversation is ready to move forward, I'm here. No timeline, no pressure, just an honest look at what's possible. If you have a contract, a lender's estimate, or just questions about the numbers, bring them and we'll walk through them together.

**Need a lender, attorney, or inspector you can trust? Let's talk. I'm happy to share referrals.**

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# Maureen Moran

ABR® · SRES® · SRS · LHC · RSPS

LINCOLN PARK

548 W Webster, Chicago, IL 60614

312.953.7811

Maureen@ChicagoDreamHome.com

ChicagoDreamHome.com

Maureen Moran | @properties Christie's International Real Estate



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