

YOUR HOME

It's Another Closing, and Another Fee

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If Benjamin Franklin were around today, he might add something to his old bromide that nothing is certain but death and taxes. That something is closing costs.

But the amount of closing costs a buyer pays can vary, sometimes considerably. It all depends on what the buyer is buying, and from whom he's buying it. "All purchasers expect to pay closing costs" — the expenses, taxes and other charges usually paid on the day the deal becomes final — said Alvin Schein, a Manhattan real estate lawyer. "But in New York, the closing expenses for the same-priced home can vary enormously, depending on whether the purchaser is buying a co-op apartment, a condominium apartment, or a private home, and whether he's buying a condominium from a private seller or from a sponsor."

Here is a detailed example of how the closing costs on a \$1.1 million New York City purchase — just about the average price for a Manhattan apartment — with a \$600,000 mortgage can vary by as much as \$35,000.

"The home purchase with the lowest closing costs is a co-op apartment purchased from a private seller," Mr. Schein said, adding that for this example, closing costs do not include the fees to the buyer's lawyer or those paid in connection with getting the mortgage. "For a \$1.1 million co-op, the buyer would pay about \$12,000 in closing fees."

Included in those fees are just two items: \$11,000 for New York State's 1 percent "mansion tax" and an estimated \$1,000 for the cost of a lien search and the filing of an application with the co-op board.

"The closing costs are low because a co-op buyer does not purchase title insurance and because there is no mortgage tax on a co-op share loan," he said, explaining that the co-op corporation has its own title insurance policy and that the mortgage tax applies only to mortgages on real estate, not shares in a corporation. In fact, Mr. Schein said, if the

purchase price was less than \$1 million — the threshold for the mansion tax — that tax would not apply and the closing costs would be just \$1,000.

The purchase with the next highest closing costs — \$26,600 — would be a condo from a private seller. Since a condo is real estate, the buyer would have to buy title insurance (about \$5,600) and pay a mortgage tax (about \$10,000) in addition to paying the \$11,000 mansion tax.

The next highest closing costs (\$28,350) occur in buying a private home. In addition to title insurance, mortgage tax and mansion tax, a homebuyer would pay \$750 or so more for a home inspection and \$1,000 for a survey.

The most expensive closing — as much as \$47,243 — would be for a condominium apartment bought from a sponsor. Mr. Schein said that is because most condo offering plans shift responsibility for New York City and New York State transfer taxes from the seller to the buyer. Those taxes — \$15,961 and \$4,482 respectively when paid by the buyer — are added to the purchase price (thereby slightly increasing the mansion tax) and are in addition to the mansion tax, mortgage tax and title insurance. (Shifting the transfer tax is not as common in sponsor-sold co-ops, he said.)

Stuart Saft, chairman of the Council of New York Cooperatives and Condominiums, said that it is useful to factor lawyers' fees into the mix because they, too, vary significantly.

A lawyer representing an apartment buyer is likely to charge more than one who represents a home buyer, he said, because of the work involved in examining the apartment building's governing documents and financial records. And purchasers buying a condo from a sponsor, he said, can also expect to pay about \$1,500 for the sponsor's lawyer.