

AI Gage Report

March 2020



Who Pays What?



Whenever you close a transaction there are many fees that come into play, many of which you may be unfamiliar. Here is a short list of the fees common to almost all transactions in today's market...

Title Fees: The title company charges a number of fees for their services. The title company passes on a **Recording Fee**, which is what the County Recorder charges to record the documents upon closing. This fee is normally less than \$75 and paid by the seller. The Title Company may also charge a **Mobile Notary Fee**, which is the fee that the notary charges to come to your residence, place of business or other location to sign the documents and return them to the lender. This fee is less than \$200 and paid by the party to the transactions that utilize the service. The title company will also charge a **Reconveyance Tracking Fee**, which is normally less than \$100, to ensure that your existing lender actually shows that the loan is paid off after closing.

The **Escrow Fee** is the fee that the title company charges to prepare all of the forms, track and disburse funds and perform the actual work of the title company's transaction. This fee is split between buyer and seller equally.

Title Insurance: There are two different forms of title insurance applicable to most transactions. There is the **Owner's Title Policy**, paid by the seller, which ensures the buyer that the seller has a clear title to convey. If the buyer is obtaining a new loan, then the buyer also has an **American Land Title Agency Policy** that ensures the lender that the title is free of defects so they will lend on the property. There are also some miscellaneous endorsements that can arise but they are too specialized to be incorporated in this discussion. Many title companies offer a discount if you own more

than one property in Arizona, also known as an **Investor Rate**.

HOA Fees: Homeowner's Associations vary widely on what they charge. By Arizona Law, the seller is required to pay the **Disclosure Fee** for the buyer to receive and approve copies of all the documents relevant to the HOA. By statute, this fee cannot exceed \$400. Many HOA's also charge a **Transfer Fee** to change the identity of the owner to the new property owner's name. This fee is not regulated and who pays this fee is an item of negotiation which can be paid by either party to the transaction. Many HOA's also charge a **Capital Improvement Fee**, which can be called by many different names, such as **Working Capital Fee, Community Reserve Fee, Asset Improvement Fee, or Future Improvement Fee**, all of which can be as much as several thousand dollars. All of the HOA's in our area keep these fees to a minimum, but areas such as Verrado and Pebble Creek see these fees in excess of \$2,000. Specifically in Verrado, the **Community Enhancement Fee** is 1/2 of 1% of the sales price of the property being sold. All of this group of fees are items of negotiation and can be paid by either party.

Think that is bad enough? Many properties have multiple associations. They are listed as the **Home Owner's Associations** and a **Master Association** and some or all of these fees can, and do, apply to both Associations

Prorations: There are basically three prorations that come into play. The first is the **HOA Proration**. Assuming you close on the 15th of the month and the HOA fee is \$30 per month, each party will be charged \$15 for their half of the month. All

1 Who Pays What?

2 Cover Article Continued

3 Kiddie Condo!
Subscribers Win

Featured Listings

What's My Home Worth?

4 Sales Statistics



Al Gage, P.C

Phone: 623-536-8200
Mobile: 623-694-9004
Fax: 623-536-8222
Email: al@algage.com

www.algage.com

Continued from page 1

prorations are based on a 30 day month even though some months have more or less days.

The next proration is a bit more complicated and involves the **Property Tax Proration**. When you pay your taxes in March, April or May (many times from the impound account in your mortgage) you are actually paying for the second half of taxes for the previous year. Assuming you closed on March 15th, you would owe the taxes for the second half of the year before, PLUS the prorated amount from January 1st to March 15th as the seller. The buyer would owe the taxes for the balance of the year. It is very common for a seller to tell us the taxes are paid and then they are surprised when they owe 8 months of taxes even though they have paid the most current tax bill. If you impound your taxes, this is usually offset in the form of a refund from your impound account that arrives 4-6 weeks after closing.

Interest Prorations function in much the same way! Interest on the seller's loan(s) is charged through the date of closing and is always in arrears. This means when you pay the April 1st payment, you are paying interest for the month of March. For the buyer, they pay interest in advance for the rest of the month and then the next month is paid at the subsequent payment. If you close on

March 5th, generally you are charged 25 days of interest up front and then pay the next 30 days of interest when your first payment is due on May 1st.

Lender Fees: Lender fees vary quite widely and are called by many different names. I will highlight some, but not all of these fees. Basically, call them what you may, they all contribute to the amount of money that a lender makes as profit and contribute to the difference between the **Note Rate** and the **Annual Percentage Rate (APR)**. Some of these fees include the **Appraisal Fee**, which is generally paid by the buyer, and can run between \$450 and \$650. It should be noted that except FHA loans, appraisals are no longer transferrable between lenders, so make sure this is the lender you are going to use before you order an appraisal. The appraisal is an upfront fee and usually paid separately, which cannot be recouped if the property fails to close.

The lenders also charge a variety of fees, such as **Document Preparation Fees, Underwriting Fees, Origination Fees and Processing Fees**, which have always been characterized in the industry as **Junk or Garbage Fees**. They are simply extra income for the lender. This is where some of the misleading advertising you see on TV comes into play, as they advertise a very low rate and then have exorbitant junk fees to offset the pricing.

My lender doesn't charge any of these. On the other hand, **Discount Points** are a more straight forward way of pricing the mortgage on your potential new home. Discount Points are the fees charged by the lender to get a lower interest rate. For instance, if 3.5% is the market rate, you may be able to get to 3.0% by paying 2 discount points, or 2% of the loan amount, to obtain that rate. This drops the payment on a \$300,000 loan by \$83 a month; at a cost of \$6,000 you will not recover your money for 6 years. Since most people move every 5-7 years, this gamble rarely pays off in the long run.

Professional Service Fees or Commission: At least we as real estate agents let you know up front what our fee is and then only call it one fee! While rates are always negotiable, the better agents always negotiate less than the less experienced ones. Be wary of these advertised rates as low as 1 or 2%, they simply cannot market your home and get the highest possible price for that amount of money.

If you want professional assistance navigating this quagmire of fees and charges, give the Al Gage Team a call at 623.536.8200 or email us at al@algage.com

Find us on  /AlGagePC

RITA'S CORNER

Kiddie Condo!

As mentioned before, a borrower must have a credit score in order to obtain a mortgage loan. The minimum credit score for an FHA mortgage is 580. I mention FHA as one of the allowances is for a relative to be able to purchase a property with a child. The child is not required to have any funds for down payment or monthly income. The child just must be of legal age, at least 18. The co-signor will be allowed to make a minimum down payment and does not have to live in the property. Once funded, the mortgage will appear on both of the borrower's credit reports. It is a great advantage for young people to be able to participate in the American dream.

Call me for information about this and other available programs. We have a large variety of programs!

PINNACLE CAPITAL
mortgage corporation

RITA MARIE NMLS ID #186758
623-935-4664

Mortgage Advisor
Please leave me a "LOAN"
ritamarie2020@gmail.com

Creative Home Loans, LLC
NMLS ID #132851
16401 N 40th Street
Phoenix, AZ 85032



Subscribe Online & Get Your Subdivision Report!

Go to www.ai@algage.com/SubscribeToENewsletter.html or just send us an email with your address and subdivision. We now offer individual subdivision reports. Stay up to date with the current news, right in your inbox. Subscribers are placed in a drawing to win a set of FREE movie passes! 4 sets of passes will be given out this month! Please share this opportunity with family, friends, and neighbors.

featured listings



335 W. Pacifico Circle

Spectacular Old Litchfield

An 1592 S.F., 3 BR, 2 BA with a great room, lots of tile, cabinets, a pool, 2 car garage on a Large Lot in Litchfield Park,

Listed by AI Gage for \$340,000



12721 W. Lewis Rd.

A Beautiful Brigata Model

in Tierra II, part of Rancho Santa Fe. 4 BR, 2 BA, 2335 S.F. with a pool and solar in great shape on a corner lot.

Listed by AI Gage for \$330,000



12929 W. Monterey Way

A Beautiful home featuring 4 BR, 2 BA, 2113 S.F. split floorplan with family room and solar in Las Palmeras!

Listed by AI Gage for \$270,000



10555 W. Crimson Ln.

A Beautiful home featuring 3 BR, 2.5 BA, 1949 S.F. plus a loft, pool, green belt for a back neighbor in Westwind!

Listed by AI Gage for \$255,000

What's My Home Worth?

Email AI at ai@algage.com with the address, a list of upgrades, the current condition of the property rated < from 1 being terrible condition and 5 being model perfect > and he will personally prepare a professional market analysis of your home free of charge. Use "What's my home worth?" in the subject line and also include the purpose of the evaluation in the email.

No automated valuations here!

Want a current and local Market Update? Go to www.algage.com/March2020MarketUpdates.html

In 2019, AI Gage successfully represented 20% more clients than the closest competitor and 214% more than the average of the Top Ten Agents in your neighborhood! #1 in your neighborhood five years in a row!



PRSR STD
ECRWSS
U.S. POSTAGE
PAID
EDDM RETAIL

West USA Realty
2920 N Litchfield Rd, Suite 100
Goodyear, AZ 85395

Hello.

Interesting And Helpful
Real Estate Info
Just For You

Local Postal Customer

Over 1400 Homes Sold in Avondale and Litchfield Park!

| Subdivisions | Home Levels | 2018 Sales #s | 2018 Price/SF | 2018 Days on Market | 2019 Sales #s | 2019 Price/SF | 2019 Days on Market | % Change In Price per SF | Feb. 2020 Sales #s | Feb. 2020 Price/SF | Feb. 2020 Days on Market |
|--|-------------|---------------|---------------|---------------------|---------------|---------------|---------------------|--------------------------|--------------------|--------------------|--------------------------|
| Cortes Sierra/Sage Creek/Las Palmeras | 1 | 71 | 136.47 | 48.6 | 68 | 144.9 | 36 | 6.17% | 3 | 156.5 | 14 |
| Cortes Sierra/Sage Creek/Las Palmeras | Multi | 37 | 118.81 | 54.6 | 33 | 125.3 | 39 | 5.46% | 1 | 128.6 | 4 |
| Crystal Gardens, Crystal Ridge, Crystal Point, Upland Park and Donatella I | 1 | 85 | 137.72 | 41.0 | 103 | 146.7 | 42 | 6.52% | 11 | 158.1 | 104 |
| Crystal Gardens, Crystal Ridge, Crystal Point, Upland Park and Donatella I | Multi | 37 | 115.22 | 57.0 | 26 | 119.1 | 66 | 3.37% | 4 | 133.4 | 55 |
| Garden Park, Palm Meadows, Palm Gardens and Donatella Phase 2 | 1 | 45 | 128.41 | 54.3 | 48 | 141.8 | 34 | 10.43% | 4 | 151.7 | 41 |
| Garden Park, Palm Meadows, Palm Gardens and Donatella Phase 2 | Multi | 19 | 109.64 | 46.8 | 20 | 107 | 61 | -3.41% | 0 | 0 | 0 |
| Rancho Santa Fe | 1 | 87 | 139.05 | 50.4 | 83 | 145.3 | 50 | 4.49% | 6 | 167.9 | 29 |
| Rancho Santa Fe | Multi | 26 | 117.53 | 43.1 | 36 | 126.2 | 41 | 7.38% | 1 | 116.1 | 29 |
| Westwind and Glenarm Farms | 1 | 28 | 149.87 | 80.2 | 24 | 165.6 | 47 | 10.50% | 0 | 0 | 0 |
| Westwind and Glenarm Farms | Multi | 16 | 118.10 | 41.2 | 21 | 136.4 | 41 | 15.50% | 1 | 98.6 | 40 |
| Wigwam Creek South and Bel Fleur | 1 | 85 | 135.49 | 45.4 | 65 | 139.8 | 43 | 3.18% | 3 | 144.7 | 27 |
| Wigwam Creek South and Bel Fleur | Multi | 45 | 98.78 | 60.1 | 45 | 101.3 | 73 | 2.55% | 5 | 107.0 | 125 |