Closing Problem II, with Questions

Complete the attached Closing Worksheet and answer the questions based on the following closing scenario. (Use a 360-day year and 30-day month to calculate prorations. Do not round your interim calculations prior to final entry on the settlement sheet.)

Maria is selling her property to Paul after entering into the Standard Offer to Purchase and Contract. Specific facts pertaining to the transaction are listed below.

- Closing date: November 13th
- Sale price: $150,000
- Earnest money deposit: $3,000
- Due diligence fee: $500
- Seller concession: The seller agreed to pay the buyer an additional $500 for closing costs
- Brokerage commission negotiated and agreed upon: 6.5% of sales price
- Financing: Buyer is to assume seller’s loan. The balance as of the November 1 payment was $120,000. The seller has an 8% fixed interest rate. The buyer paid the mortgage company a $150 fee for an appraisal report, and the buyer also paid a $150 fee for a credit report, at the time of application. The mortgage company is charging a 1% loan assumption fee.
- Ad valorem taxes: The property taxes for the current year are $1,080 and have not been paid. The taxes will be paid on the day of closing and prorated accordingly as a double-debit item on Part A of the closing worksheet.
- The seller’s current home insurance policy is to be assigned to the buyer at closing. The annual renewal premium of $720 was paid by the seller on July 1.
- The lender also requires that the seller’s escrow account of $1,500 be transferred to the buyer.

Other expenses to be paid at closing in accordance with the standard contract include:

- Property survey: $280
- Pest inspection report: $280
- Title insurance premium: $195
- Excise tax calculated at the standard rate
- Fee to prepare the deed: $100
- Fee to record the deed: $10
- Fee to record the mortgage instrument: $15
- Attorney’s fee: $450
- Home inspection: $350
Closing Problem II—Questions

1. What are the total settlement charges to the buyer?
   a. $2,921.00
   b. $3,021.00
   c. $3,071.00
   d. $3,421.00

2. What are the total settlement charges to the seller?
   a. $10,450.00
   b. $11,089.00
   c. $11,289.00
   d. $11,389.00

3. How much cash must the borrower have at closing?
   a. $31,029.33
   b. $30,528.33
   c. $31,804.33
   d. $31,896.00

4. How much will the seller net at closing?
   a. $18,818.33
   b. $19,518.33
   c. $20,665.00
   d. $21,257.33