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Understanding Closing Costs in a New York Real Estate Transaction

Buying or selling a home in New York involves more than negotiating the sale price. Both parties must be prepared for closing costs, which can amount to a substantial sum and vary depending on location, financing, and the purchase price. Below is a clear breakdown of what both buyers and sellers should expect, with a special focus on the state and local taxes, bank and title fees, and other common charges applicable in Westchester municipalities like Yonkers, Mt. Vernon and Peekskill.

For Sellers: Typical Closing Costs

1. New York State Transfer Tax

Sellers are responsible for the New York State Real Estate Transfer Tax of \$2 per \$500 of the purchase price—or 0.4%. This must be paid at closing.

2. Local Transfer Taxes (e.g., Yonkers, Mt. Vernon and Peekskill)

In addition to the state transfer tax, some local municipalities impose their own transfer taxes. For example:

- City of Yonkers charges a 1.5% Real Estate Transfer Tax, paid by Seller.
- Mt. Vernon charges a 1% Real Estate Transfer Tax with the first \$100,000 of the sales price exempt from the City Transfer Tax, paid by Seller.
- Peekskill charges 1% Real Estate Transfer Tax, paid by Seller.

Each municipality sets its own rate and rules. It is critical to confirm local obligations early in the transaction process.

3. Broker Commission

If a real estate broker is used, the seller typically pays a commission of 4% to 6% of the purchase price, usually split between the listing and buyer's agents, but may vary depending on what is agreed upon by the parties.

4. Attorney Fees

Seller's legal fees typically range from \$2,000 to \$4,000, depending on transaction complexity.

5. Payoff Fees

Sellers are responsible for satisfying any outstanding mortgages or liens.

For Buyers: Typical Closing Costs

1. Mansion Tax

New York State imposes a Mansion Tax on the buyer of 1% of the purchase price on homes sold for \$1,000,000 to \$1,999,999.

The NYC Mansion Tax imposed on the buyer is as follows:

- 1% of the purchase price on homes sold for \$1,000,000 to \$1,999,999
- 1.25% of the purchase price on homes sold for \$2,000,000 to \$2,999,999
- 1.5% of the purchase price on homes sold for \$3,000,000 to \$4,999,999
- 2.25% of the purchase price on homes sold for \$5,000,000 to \$9,999,999
- 3.25% of the purchase price on homes sold for \$10,000,000 to \$14,999,999
- 3.50% of the purchase price on homes sold for \$15,000,000 to \$19,999,999
- 3.75% of the purchase price on homes sold for \$20,000,000 to \$24,999,999
- 3.90% of the purchase price on homes sold for \$25,000,000 and above.

The buyer pays this tax at closing.

2. Mortgage Recording Tax

If financing is involved, the buyer must pay a Mortgage Recording Tax, calculated as follows:

- In most of Westchester County: 1.05% of the mortgage amount.
- In Yonkers: buyer pays 1.55% of the mortgage amount.

This tax is not imposed on cash buyers.

3. Title Insurance & Title Charges

Title insurance protects the buyer and lender against defects in the title. Costs include:

- Owner's Policy and Lender's Policy: ~0.4% to 0.5% of the purchase price
- Title Search Fees: \$700-\$800
- Recording Fees: \$400 to \$500
- Additional title endorsements or fees may apply depending on the property and bank requirements

4. Bank Fees (if obtaining a mortgage)

Buyers obtaining financing will encounter various bank-related fees, including:

- Loan Origination Fee: Often 0.5% to 1% of the loan
- Appraisal: \$500 – \$950
- Underwriting, Credit, and Flood Certification: Approx. \$200 – \$400
- Bank Attorney fees - \$\$950-\$1350

5. Attorney Fees

Buyer's attorneys in Westchester typically charge \$2,000 to \$4,000, depending on the transaction complexity.

Estimated Buyer Closing Costs Summary

Title Insurance 0.4% – 0.5% of purchase price

Mansion Tax (if applicable) 1% of purchase price or more as noted above.

Mortgage Recording Tax 0.8% – 1.8% of mortgage amount (depending on the location of the property)

Bank Fees \$1,000 – \$2,500

Attorney Fees \$2,000 – \$3,500

Plan Ahead for a Smooth Transaction

Understanding your financial obligations ahead of time can prevent delays, misunderstandings, and surprises at the closing table. Whether you're a first-time homebuyer, seasoned investor, or long-time homeowner, being aware of state and municipal taxes, mortgage-related costs, and title expenses will help ensure a successful closing.

At James G. Dibbini & Associates, P.C., we guide clients through every step of the real estate transaction with diligence and care. If you're buying or selling in Yonkers or any other Westchester municipality, our attorneys are here to

help protect your interests and make the process seamless.

The attorneys at James G. Dibbini & Associates, P.C. collectively have over 70 years of experience providing legal services in the areas of:

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