

SLIDE 22 – Rule of Thumb (Cover Page)

SLIDE 23

Financial Settlement of the Transaction

Debits and credits

The closing statement accounts for the debits and credits of the buyer and seller to settle and complete the transaction.

A credit is an amount that a party must receive at closing or that has already been received prior to closing.

A debit is an amount that one party must pay at closing or has already paid prior to closing.

SLIDE 24

Financial Settlement of the Transaction

Debits and credits

The excess of the buyer's debits over the buyer's credits is the amount the buyer must bring to the closing. The excess of the seller's credits over the seller's debits is the amount the seller will receive at closing.

An individual expense item that one party owes to a party unrelated to the transaction, such as an attorney or the state, is treated as *a debit to that party only*.

An income or expense item that affects both parties is apportioned, or prorated, to each party to reflect the proper amount that each owes or should receive.

A prorated item is treated as *a debit to one party and a credit to the other party for the same amount*.

SLIDE 25

Financial Settlement of the Transaction

Buyer's credits and debits – To determine how much money the buyer owes at closing, the buyer's debits are totaled and compared with the total of the buyer's credits. The excess of debits over credits is the amount the buyer must bring to the closing, usually in the form of a cashier's check or certified check.

Buyer's Credits

Loan amount
(borrowed or assumed)

Seller's share of prorated items the buyer will pay

Buyer's Debits

Purchase price

Buyer's share of prorated items prepaid by seller

SLIDE 26

Financial Settlement of the Transaction

Buyer's credits and debits – To determine how much money the buyer owes at closing, the buyer's debits are totaled and compared with the total of the buyer's credits. The excess of debits over credits is the amount the buyer must bring to the closing, usually in the form of a cashier's check or certified check.

Seller's Debits

Expenses
(Per agreement or Custom)

Seller's share of prorated items the buyer will pay

Loan balance or other lien to be paid off

Seller's Credits

Purchase price

Buyer's share of prorated items prepaid by seller

SLIDE 27

Financial Settlement of the Transaction

Non-prorated items – Non-prorated items are costs *incurred by one party only*. Items not prorated include those listed in the next exhibit.

Buyer usually pays	Seller usually pays
Mortgage recording fees	Stamp tax on deed
Documentary stamp tax	Title insurance
Intangible tax on mortgage	Brokerage fee
Mortgage-related fees: appraisal, credit, survey, loan origination	Inspection fees
Impound reserves: insurance, taxes	Title-related expenses
Attorney fees	Attorney fees