

## Maintenance

If you are buying your first home, there's a good chance you are coming from a situation where somebody else--your landlord, a property management company or your parents--is responsible financially for maintaining the property where you live. It's a good idea to realize that you will be responsible for keeping up your property as a homeowner before you commit to a purchase. Julie Holden, a real estate agent in Austin, Texas, suggests homeowners set aside about 2 percent of their home's purchase price to cover maintenance costs, including the purchase of lawn care equipment and household tools, in the first year.

## Appliances/Furnishings

Not only do you have to maintain your new home, but Holden notes that you probably need to stock it with appliances. Most new homes do not come furnished with a refrigerator, washer, dryer and other necessities. You'll be on the hook for at least an extra couple of thousand dollars for those items alone. If you are moving from a smaller to a bigger place, you have a choice--leave the extra space cold and empty or furnish it. Spare beds, dressers, couches and chairs--the list of furnishings you need, or at least will want, when you move into your first home is endless.

## Insurance

You might need to spring for mortgage insurance when you buy a new home. Many first-time home buyers use less than 20 percent for a down payment. In this case, mortgage insurance is required, according to the Department of Housing and Urban Development. Mortgage insurance provides your lender with security in case you default on your loan. If you are getting an FHA loan, you'll pay a 2.25 percent mortgage insurance premium up front in addition to monthly premiums. Homeowners insurance is also required when you buy a house. You'll need proof of a policy at closing. As HUD explains, premiums for mortgage and homeowners insurance are often included in a monthly mortgage payment.

## Property Tax

Though it is handled different depending upon where you live, you will likely pay property tax on your new home. The last thing a first-time homeowner wants is a surprise when the bill comes in the mail. In California, thanks to the state's controversial Proposition 13 passed by voters in 1978, property tax is limited to about 1 percent of the assessed value of your home, according to the state's Board of Equalization.

## Earnest Money

When you decide to make an offer on a house, you'll typically need to submit "earnest money" along with it. According to HUD, earnest money is a deposit, ranging from 1 to 5 percent of the cost of the home, that ultimately gets applied to your down payment or closing costs and is used to show the seller you are serious about the transaction. If the seller does not accept your offer, you get your earnest money back.

## Down Payment

Of course, you'll need a down payment to buy a home. After the housing crash that took hold in 2008, the days of zero down are just about all gone. On FHA loans, your down payment can be as low as 3.5 percent. On a conventional mortgage, expect to pay somewhere around 20 percent for a down payment. Your individual financial situation heavily influences what is required.

## Closing Costs

Closing costs consist of a series of fees--seemingly random fees, even to "seasoned" home buyers--you need to pay when it's time to sign the deal on your house. HUD reports that closing costs include attorney's fees as well as a loan origination fee, a survey fee and document preparation fees. HUD estimates that closing costs equal about 3 to 4 percent of your home's value.

whether any problems have arisen "below the hood" that you're oblivious to, and would perhaps prefer to fix before buyers have a chance to get upset about them. Inspections will run you upwards of \$200.

- **Lights and heat while the house sits empty.** If you'll be moving out before putting your house on the market, expect to pay double utilities for a while. You'll want to leave the lights and heat on in the house for sale, or program them to stay on during any hours that potential buyers and their agents may be stopping by the place. No one likes to enter a cold, dark house and fumble around for the light switches.
- **Extra homeowners' insurance for the vacancy period.** Check with your homeowners' carrier. Your insurance may not apply when the home is "vacant," which term will be defined in your policy. You can ask for a rider to cover any period of vacancy.

### At Closing: More Expenses to Expect

The good news is, most of what you'll be paying out at closing will come out of the sale proceeds. The bad news is, you'll be saying goodbye to some big dollars.

- **Real estate agent commissions.** You, as the seller, will likely be paying the entire 5% - 6% commission, to be split between the buyer's agent and yours. For ways to reduce this figure, see Nolo's article [Negotiate the Agent's Commission When Selling Your House](#).
- **Other closing costs or credits to the buyer.** You might have agreed -- based on local tradition or buyer negotiation -- to pay various of the standard costs associated with closing the deal, such as fees for the escrow company; the mortgage and home appraisal; recording and transfer of the property; homeowners' and title insurance; and more. If your local real estate market is sluggish, buyers may also ask you to pay all or a hefty portion of the closing costs, which typically add up to 2% to 4% of the selling price.
- **Transfer tax.** Your city or state may require you to pay transfer taxes, as a small percentage of the sale price.
- **Home warranty for the buyer.** Whether because the buyer requests it or to make the buyer feel secure about the home purchase, many sellers buy a home warranty on the buyer's behalf. This is a service contract that covers repairs to appliances and certain systems within the house for the first year of ownership. It will cost about \$500.
- **Capital gains tax.** If you earn less than \$250,000 on your home sale (or \$500,000 if you're married and filing jointly), don't worry -- you won't owe a thing in the way of capital gains taxes. But if you earn more than that, you'll want to look further into the matter. Once you've subtracted things like the costs of preparing the property for sale from the supposed gains, you may not owe the tax. For more information, see Nolo's article [Avoiding Capital Gains Tax When Selling Your Home: Read the Fine Print](#).
- **Moving costs.** Asking your friends with pickup trucks to help can save you some dough -- but will take a lot more time. Sometimes it's worth paying for the deluxe treatment, where the company packs your boxes for you, transports them to the new location, and unpacks at the other end.

Talk to anyone who's just sold a home, and you'll probably see some eye-rolling as they recount how the supposed profits were undercut by one expense after another. But the results won't seem quite so shocking if you know what to expect.

In fact, if you start planning ahead of time, you may find ways to reduce some of the costs, perhaps by handling some tasks yourself or getting lots of competing bids for work.

## Before the Sale: Expenses to Expect

Here are the typical upfront expenses. Some are a matter of choice, yet may be important investments in making sure your house sells for the highest amount possible -- or sells at all.

- **Painting.** A new paint job is one of most cost-effective ways of freshening your house up, inside and out. If you've recently painted, this is less important -- though if your color choices were bold or unique, you might want to tone them down with some crowd-pleasing neutrals. Your stager, if you hire one (see below) can help advise on the best colors.
- **Window washing.** When did you last wash them -- especially on the outside panes of upper floors? Sparkling windows make a surprisingly large difference to buyer perceptions. Hiring someone will cost a few hundred dollars, depending on the size and height of your home.
- **Fixups.** Which fixups are necessary (such as replacing cracked windows or stained carpeting) and which (such as major remodels) should be left for the buyer to handle is a separate discussion in itself. But there's practically no house that couldn't use some quick maintenance to make sure it looks well-cared for and leaves fewer items for a home inspector to comment on.
- **Staging.** It's de rigueur in some parts of the United States, and less known in others -- but staging your home, or having a decorator help declutter, reorganize, and in some cases refurnish it after you've moved your stuff out, can help impress buyers in a big way. In fact, studies show that buyers pay more for staged homes. Expect to pay a professional stager a few thousand dollars for their services (a bit less if some of your own furniture is usable.) For more on this topic, see Nolo's article [Is Hiring a Home Stager Worth the Cost?](#).
- **Adding decorative or new items to your home (if you're not hiring a stager).** Even if you decide to save money by staging your own home, you're almost guaranteed to have to buy things like a new doormat, new plush towels for the bathroom, flowers for the showings, and more, depending on what your house needs. Other likely possibilities include new couch cushions, area rugs, a nice table runner, and artwork to replace your wall of kids' photos.
- **Landscaping.** Buyers are increasingly interested in the state of your garden. If it's already fully planted, you'll want to hire someone (or put in some sweat equity) to get it raked, pruned, and otherwise tidied up. If the area hasn't already been landscaped, plan to add some new greenery and flowering plants. (By the way, if you plant in containers, you can take the containers with you when you move -- unless they're so big or incorporated into the property as to be considered "fixtures.") Many sellers simply put in new sod -- but do the buyers a favor and don't leave the plastic mesh backing on it, in case the buyers want to replace it with something more interesting and environmentally friendly.
- **Pre-inspection reports.** Having a professional inspect your house for either termite/pest damage or other structural matters isn't required, nor expected in most parts of the United States. Buyers expect to pay for their own inspectors, and in fact will probably want to hire ones they know and trust regardless of whether you've had the property inspected first. Yet there are situations where you might want to have the house inspected before letting buyers in -- for example, if you've owned the property for many years and wonder