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DOWN PAYMENT VS. CLOSING COSTS

WHAT'S THE DIFFERENCE?

Know Where Your Money Goes.

When buying a home, it's easy to confuse down payment and closing costs—but they serve very different purposes. Here's a simple breakdown to help you budget with confidence and avoid surprises.



DOWN PAYMENT
Your Investment in the Home

WHAT IT IS:
The upfront money you pay toward the purchase price of the home.

WHY IT MATTERS:
It reduces the amount you need to borrow and can impact your monthly payment, interest rate, and whether you need private mortgage insurance (PMI).

TYPICAL AMOUNT:
Usually ranges from 3% to 20% of the home price, depending on the loan type and your financial situation.

WHERE IT GOES:
Directly toward the purchase price. You build equity from day one.

CLOSING COSTS
The Cost to Close the Deal

WHAT IT IS:
Fees and expenses paid to finalize your home purchase.

WHY IT MATTERS:
These costs cover services from lenders, appraisers, title companies, and more to complete your transaction.

TYPICAL AMOUNT:
Usually ranges from 2% to 5% of the loan amount.

WHERE IT GOES:
Paid to third parties for services like appraisals, title insurance, inspections, loan fees, and recording costs.

KEY THINGS TO REMEMBER

THEY'RE NOT THE SAME
Down payment builds your equity. Closing costs pay for the process.

BOTH ARE IMPORTANT
You need both to move forward with your home purchase.

PLAN AHEAD
Ask your agent or lender for a Loan Estimate to see expected costs early.

YOU HAVE OPTIONS
Some closing costs can be negotiated or paid by the seller.

BUDGET SMART
Understanding the difference helps you plan with confidence.

The more you know, the better your decisions.
We're here to guide you every step of the way.

We open doors to more than homes—
we open doors to opportunity.

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