# Michigan Closing Cost *Blueprint*

Every fee, prepaid, and escrow deposit on your Closing Disclosure, explained line by line so no number catches you off guard at the table.

Lender Fees Title & Settlement Prepaids Escrow Setup Cash to Close Worksheet

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## Michigan Closing Cost Blueprint



Introduction

## A Note Before You *Read the Numbers*

The Closing Disclosure is not complicated. It is just unfamiliar. Once you know what each line means, the whole document makes sense in about twenty minutes.

Most buyers see their Closing Disclosure for the first time three days before they hand over a wire transfer and sign the deed to their new home. That is a terrible time to encounter an unfamiliar document. Confusion at that stage does not usually change the outcome, buyers close anyway, but it produces stress that should not exist.

This Blueprint walks through every fee category you will see on a Michigan Closing Disclosure: lender fees, title fees, prepaids, escrow deposits, and Michigan-specific items. It also explains the distinction between closing costs and prepaids, a difference that matters when you are comparing lender quotes or negotiating seller concessions.

At the end, there is a worksheet you can fill in with your own numbers. When your Closing Disclosure arrives, you will already know what belongs in every box.

How to Use This Blueprint

Read Chapters 1 through 3 before you apply for a mortgage, they will help you compare Loan Estimates intelligently. Chapters 4 through 6 become important during the final two weeks before closing. Chapter 7 and the worksheet are for the 72 hours before closing day. The numbers used throughout are illustrative examples based on a $300,000 purchase in Southeast Michigan.



Chapter 1

## The Closing Disclosure: *Your Master Document*

You will receive the Closing Disclosure at least three business days before closing. That three-day window is required by federal law. Use it.

### What the Closing Disclosure Is

The Closing Disclosure (CD) is the official five-page document your lender produces before closing that itemizes every cost, payment, and figure associated with your mortgage. It is standardized by the Consumer Financial Protection Bureau, which means a Chase Closing Disclosure looks structurally the same as one from a local credit union. Once you learn to read one, you can read all of them.

### Loan Estimate vs. Closing Disclosure

You received a Loan Estimate (LE) within three business days of submitting your loan application. The Closing Disclosure is the final version of that document. Your job is to compare the two and understand what changed. Federal law caps how much certain fees can increase between the LE and the CD:

| Fee Category | Can It Change? | How Much? |
|---|---|---|
| Lender-controlled fees (origination, underwriting) | No | Zero tolerance, cannot increase at all |
| Title fees from lender-required services | No | Zero tolerance |
| Third-party fees you chose from lender's list | Yes | Up to 10% total increase |
| Third-party fees you chose independently | Yes | Can change without limit |
| Prepaids and escrow deposits | Yes | Can change (interest rate, insurance, tax rates) |
| Down payment | No | Fixed by your purchase contract |

If a zero-tolerance fee increased between your Loan Estimate and Closing Disclosure, notify your lender immediately. This is a RESPA violation and the lender must reimburse you.

Pro Tip

Print both your Loan Estimate and Closing Disclosure side by side and go through them line by line. If any zero-tolerance fee increased, call your lender before closing. Lenders are required to either reduce the CD to match the LE or reimburse the difference at or after closing. This is not confrontational, it is your legal right under RESPA.



Chapter 2

## Lender Fees:
## *What You're Paying and Why*

Lender fees are the most variable category across lenders, and the most negotiable. Understanding each one gives you the ability to compare quotes honestly and push back when something does not make sense.

### Origination Fee

The origination fee is the lender's compensation for creating your loan. It may be listed as a flat dollar amount ($500 to $2,000) or a percentage of the loan amount (0.5% to 1.0%). On a $270,000 loan (after a $30,000 down payment on a $300,000 purchase), a 1% origination fee is $2,700. Some lenders advertise "no origination fee", that cost is typically recovered through a higher interest rate.

### Underwriting and Processing Fees

**Underwriting fee:** Paid to the underwriter who reviews and approves your file. Typical range: $500 to $900. This is a zero-tolerance fee, it cannot increase after the Loan Estimate.

**Processing fee:** Paid to the loan processor who manages your file from application to closing. Typical range: $300 to $600. Also zero-tolerance.

### Discount Points

One discount point equals 1% of the loan amount and is paid upfront at closing to permanently reduce your interest rate, typically by 0.125% to 0.25% per point. Points are optional and appear on the Closing Disclosure under the origination section. If your lender quoted you a rate "with points" and you were expecting a rate without, this is where that difference shows up.

### Other Common Lender Fees

| Fee | Typical Amount | Notes |
|---|---|---|
| Credit report fee | $25 to $75 | Covers tri-merge credit pull; zero-tolerance |
| Flood determination fee | $15 to $25 | Determines if property is in a flood zone |
| Flood monitoring fee | $15 to $35 | Ongoing flood zone monitoring; sometimes one-time |
| Tax monitoring fee | $50 to $80 | Third-party monitors property tax payments |
| Rate lock fee | $0 to $500+ | Some lenders charge to lock a rate; verify before applying |
| Application fee | $0 to $500 | Common at banks; many lenders do not charge this |

From Experience Derica Wade, Associate Broker

"When a buyer asks me to help them compare two Loan Estimates, I always start with the APR, not the interest rate. APR includes lender fees and gives you the true cost of the loan over its life. A lender with a 0.10% lower rate but $2,000 more in origination fees is often the more expensive option once you do the math on how long you plan to stay in the home."



Chapter 3

## Title and
## *Settlement Fees*

Title fees are often the second-largest cost category after the down payment. Most buyers don't understand what they're paying for, which makes them easy to overlook and difficult to question.

**What Title Insurance Actually Does**

Title insurance protects against defects in the ownership history of the property: unknown liens, errors in prior deeds, forgery, unpaid taxes from a previous owner, or claims from undisclosed heirs. There are two policies, and they serve different parties.

**Lender's Title Insurance (Required)**

Protects your lender's interest in the property up to the loan amount. Required by virtually all lenders. Paid once at closing. The premium is based on the loan amount and varies by title company. In Michigan, most title companies use filed rates set by the state, though some variation exists.

**Owner's Title Insurance (Strongly Recommended)**

Protects your interest in the property, the full purchase price, not just the loan amount. This is optional in Michigan but strongly recommended. It is purchased once at closing and covers you for as long as you own the property. On a $300,000 purchase, owner's title insurance typically costs $700 to $1,200 and is one of the best dollar-for-dollar values in the entire closing cost stack.

Michigan Tip: Who Pays for Title?

In Southeast Michigan, it is common for the seller to pay for the owner's title insurance policy as part of local custom. This is negotiable and not required by law, but it is the prevailing practice in Wayne, Washtenaw, Livingston, and Oakland counties. Confirm this with your agent when you make your offer, it is one of the most valuable concessions to request.

**Other Title and Settlement Fees**

| Fee | Typical Amount | Who Pays |
|---|---|---|
| Title search fee | $150 to $300 | Buyer or seller (varies by deal) |
| Title exam fee | $100 to $200 | Buyer |
| Settlement/closing fee | $300 to $600 | Buyer; sometimes split |
| Deed preparation fee | $75 to $150 | Seller typically |
| Deed recording fee (county) | $30 to $60 | Buyer |
| Mortgage recording fee (county) | $30 to $60 | Buyer |
| Survey (if required) | $400 to $1,200 | Negotiable; often buyer |
| Notary fee | $25 to $75 | Buyer |
| Wire/transfer fee | $20 to $35 | Buyer |

Michigan is not an attorney-close state, so attorney fees are optional. Buyers may choose to hire a real estate attorney to review documents; this adds $400 to $1,000 to the cost but is worth considering for complex transactions.



Chapter 4

## Prepaid Costs:
## *The Category Buyers Confuse*

Prepaids are not closing costs. They are expenses you would pay eventually regardless of whether you were buying a home. They appear on your Closing Disclosure because they are due at closing, not because the lender is charging you for them.

**Prepaid Homeowners Insurance**

Most lenders require that the first year of your homeowners insurance premium be paid in full at closing. You arrange the policy before closing, and the premium is collected at the settlement table. Michigan homeowners insurance premiums vary widely depending on the age and condition of the home, coverage level, and the carrier, but a reasonable working range for Southeast Michigan is $900 to $2,400 per year.

**Prepaid Interest**

Mortgage payments are paid in arrears, your payment due April 1 covers the interest that accrued in March. Because your first full mortgage payment will not be due until the beginning of the month after your first full month of ownership, you prepay the interest that accrues between your closing date and the end of the closing month.

Example: You close on June 12. Your first payment is due August 1 (covering July). At closing, you prepay interest for June 12 to 30 (18 days). On a $270,000 loan at 6.75%, that is approximately $338 in prepaid interest. A closing later in the month means fewer prepaid interest days, so some buyers who have flexibility intentionally close near month-end to minimize this cost.

Closing Date and Prepaid Interest

A closing on the 28th or 29th of the month means you prepay interest for only 2 to 3 days instead of 15 to 20. This can reduce your prepaid interest line by $200 to $400. If you have flexibility on your closing date, ask your agent whether moving it later in the month makes sense given the full picture.



Chapter 5

## Escrow Setup:
## *The Number That Surprises Everyone*

Of everything on the Closing Disclosure, the escrow deposit is the line most likely to produce a panicked call two days before closing. It is also the line that is easiest to understand once someone explains it.

### What an Escrow Account Is

An escrow account (also called an impound account) is a holding account managed by your loan servicer. Each month, a portion of your mortgage payment goes into this account. When your property tax bills and homeowners insurance premiums come due, the servicer pays them from this account on your behalf. You never have to remember to write a $4,000 tax check, the servicer handles it.

### The Setup Deposit at Closing

At closing, your lender requires an initial deposit into the escrow account to ensure the account has enough funds to cover the next bills due after closing. Federal law (RESPA) allows lenders to require a cushion of up to two months of escrow payments. This deposit is separate from your down payment and closing costs, but it appears on the Closing Disclosure as an escrow line item.

The Key Point Most Buyers Miss

The escrow deposit is **your money** held in your account. It is not a fee paid to the lender. When you sell or refinance, the escrow balance is returned to you. But because it appears as a large closing line item, often $2,000 to $6,000, buyers frequently mistake it for a fee. It is not. It is your property tax and insurance money, collected early so the servicer can pay the bills when they arrive.

### Michigan Escrow Calculation: Property Taxes

Michigan property taxes are billed twice yearly: summer (due July 31) and winter (due February 28). Your escrow deposit is calculated based on when these bills will be due relative to your closing date. A closing in April may require a larger upfront deposit than a closing in August, because the next bill is several months away and the account needs to be funded in advance.

Michigan Tip

If you are buying a home that has been owned by the seller for several years, the property taxes will likely **increase the year after you close** due to Michigan's taxable value uncapping rule. Your servicer will recalculate your escrow payment after the first tax bill under your ownership, expect an escrow adjustment (usually an increase) in your first full year. See the Michigan Property Tax resource guide at heartstohomesmi.com for the full explanation.

### Escrow Deposit: Sample Calculation

| Item | Monthly Amount | Months Collected | Deposit at Closing |
|---|---|---|---|
| Property taxes ($6,000/yr) | $500 | 4 to 6 months | $2,000 to $3,000 |
| Homeowners insurance ($1,500/yr) | $125 | 2 to 3 months | $250 to $375 |
| Total escrow setup | $625 | , | $2,250 to $3,375 |

Illustrative only. Your actual escrow deposit will be based on your specific property tax amount, insurance premium, and closing date. Numbers fluctuate based on Michigan's taxable value uncapping event in year two.



Chapter 6

## Michigan-Specific Fees
## *and Tax Prorations*

Michigan has several closing-related items that are specific to this state. Understanding who pays each one, and why, prevents surprises on the settlement statement.

### Michigan Transfer Taxes (Paid by the Seller)

When real estate transfers ownership in Michigan, the seller pays two transfer taxes: a state transfer tax and a county transfer tax. These appear on the seller's closing statement, not the buyer's, but buyers should understand them because they affect the seller's net proceeds and therefore the seller's willingness to make concessions.

| Tax | Rate | On a $300,000 Sale | Who Pays |
|---|---|---|---|
| Michigan State Transfer Tax | $3.75 per $500 (0.75%) | $2,250 | Seller |
| County Transfer Tax | $5.50 per $1,000 (0.55%), most counties | $1,650 | Seller |

| | | | |
|---|---|---|---|
| Total transfer tax | 1.30% | $3,900 | Seller |

County transfer tax rates vary. Oakland County is $8.60 per $1,000 for the county portion. Verify the rate for the county you are purchasing in. Transfer taxes are the seller's responsibility under standard Michigan purchase agreements unless otherwise negotiated.

First-Time Buyer State Transfer Tax Exemption

First-time buyers in Michigan may qualify for a refund of a portion of the state transfer tax paid by the seller. Under Michigan Public Act 330, first-time principal residence buyers can apply for a refund of up to $1,330.50 (for properties under $400,000) directly from the Michigan Department of Treasury after closing. This is separate from your closing costs, it is a post-closing refund you apply for. Ask your lender or a tax professional to confirm eligibility based on your specific circumstances.

### Property Tax Proration

Michigan property taxes are paid in arrears. The summer tax bill (covering January through June of that year) is due July 31. The winter tax bill (covering July through December) is due February 28. At closing, the settlement statement will show a property tax proration, a credit or debit that accounts for the taxes that have accrued but not yet been billed or paid.

Example: You close on September 15. The seller has paid the summer tax bill but the winter bill covering July to December is not yet due. The seller owes taxes for July 1 through September 14 (75 days of the 184-day winter period). The settlement statement will show a credit to you (the buyer) for the seller's share, and the seller's proceeds are reduced accordingly. When the winter bill arrives, you pay it in full, but your credit at closing already covered the seller's portion.



Chapter 7

## Calculating Your
## *True Cash to Close*

Cash to close is not the same as your down payment. It is the total amount you need to wire to the title company before you sit down to sign. Here is how every piece adds up.

### The Cash to Close Formula

Cash to close = Down payment + Closing costs + Prepaids + Escrow setup – Seller concessions – Lender credits – Earnest money already deposited

| Category | Low Estimate | High Estimate | Notes |
|---|---|---|---|
| Down payment (10%) | $30,000 | $30,000 | Fixed by purchase price |
| Lender fees (origination, underwriting, etc.) | $1,200 | $3,500 | Varies significantly by lender |
| Title and settlement fees | $1,500 | $2,800 | Lower if seller pays owner's title |
| Prepaid homeowners insurance | $900 | $2,400 | Full first year premium |
| Prepaid interest | $150 | $650 | Fewer days = lower cost |
| Escrow setup (taxes + insurance) | $1,800 | $4,500 | Returns to you when you sell |
| Recording fees and misc. | $100 | $250 | County-dependent |
| **Subtotal** | **$35,650** | **$44,100** | |
| Less: earnest money deposited | –$2,000 | –$2,000 | Already in escrow |
| Less: seller concessions (if any) | $0 | –$6,000 | Negotiated in the offer |
| Less: lender credits (if any) | $0 | –$2,000 | Higher rate in exchange for credits |
| **Cash to Close** | **~$33,650** | **~$40,100** | Wire this amount by closing |

Illustrative example based on a $300,000 purchase with 10% down in Southeast Michigan, July 2026. Actual numbers vary by transaction, lender, closing date, and negotiated terms. Always use your Closing Disclosure as the authoritative source.

### Seller Concessions

Seller concessions are closing cost contributions negotiated as part of your purchase offer. The seller agrees to pay a defined dollar amount or percentage of the purchase price toward your closing costs. This reduces your cash-to-close figure without reducing the purchase price, which matters for appraisal and loan limits. Conventional loans allow seller concessions up to 3% to 6% of the purchase price depending on your down payment. FHA loans allow up to 6%.

### Lender Credits

Lender credits are the mirror of discount points. Instead of paying points to get a lower rate, you accept a slightly higher rate and receive a credit toward your closing costs. This makes sense if you plan to sell or refinance within a few years, since you never recoup the upfront cost of points. It is a legitimate tool, just make sure you understand the rate you are accepting in exchange.

From Experience Derica Wade, Associate Broker

"A buyer's first instinct is usually to negotiate the purchase price down. But in a competitive market, that is often the least effective lever. Seller concessions for closing costs can reduce your out-of-pocket by $5,000 to $8,000 without changing the price, which means the seller's net may not change much either. I always talk through the math before we write an offer."



Worksheet

## Your Cash to Close
### *Estimate*

Fill in the blanks with numbers from your Loan Estimate or Closing Disclosure. Use the totals as a cross-check against what your lender is showing you.

| Item | Source | Your Number |
|---|---|---|
| Down payment | Purchase price × down payment % | $__________ |
| Loan origination fee | LE / CD, Section A | $__________ |
| Underwriting fee | LE / CD, Section A | $__________ |
| Processing fee | LE / CD, Section A | $__________ |
| Discount points (if any) | LE / CD, Section A | $__________ |
| Other lender fees (credit, flood, etc.) | LE / CD, Section B | $__________ |
| Lender's title insurance | LE / CD, Section B or C | $__________ |
| Owner's title insurance (if buyer pays) | LE / CD, Section H | $__________ |
| Settlement/closing fee | LE / CD, Section B | $__________ |
| Title search and exam | LE / CD, Section C | $__________ |
| Recording fees | LE / CD, Section E | $__________ |
| Prepaid homeowners insurance | LE / CD, Section F | $__________ |
| Prepaid interest | LE / CD, Section F | $__________ |
| Property tax escrow deposit | LE / CD, Section G | $__________ |
| Homeowners insurance escrow deposit | LE / CD, Section G | $__________ |
| Other miscellaneous fees | LE / CD, Section H | $__________ |
| **Subtotal (A)** | | **$**__________ |
| Less: earnest money deposited | Purchase agreement | –$__________ |
| Less: seller concessions | Purchase agreement | –$__________ |
| Less: lender credits | LE / CD, Section J | –$__________ |
| **Cash to Close (A – credits)** | | **$**__________ |

LE = Loan Estimate · CD = Closing Disclosure. Section letters reference the standard CFPB Loan Estimate and Closing Disclosure form layout.

Before You Wire Funds

- Your Closing Disclosure arrived at least 3 business days before closing
- You compared the CD to your Loan Estimate line by line
- Any zero-tolerance fee increases have been addressed with your lender
- You confirmed the wire amount and receiving account details with the title company by phone (not email, wire fraud is real)
- Your wire is initiated with enough lead time for same-day funds availability
- You have a government-issued photo ID for closing

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### The Loan Estimate Nobody Questioned

"He had two Loan Estimates in front of him when we talked, one from his bank, one from a mortgage broker I had connected him with. The bank's rate was 0.15% lower. He was ready to go with the bank."

"We looked at the Loan Estimates side by side. The bank had a $1,900 origination fee, a $750 underwriting fee, and a $450 processing fee, $3,100 in lender fees before anything else. The broker's estimate had a flat $800 origination fee and no processing fee. Total lender fees: $1,400."

"The bank's lower rate would save him about $28 per month. The $1,700 fee difference would take five years to break even. He was planning to be in this home for three years. He went with the broker."

"No one had suggested he compare the fee sections. He had looked only at the interest rate, which is exactly what lenders count on."

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Your Next Step

## What to Do *Now*

You now know how to read any Closing Disclosure without being surprised by it.

If you have not yet applied for a mortgage, use the Loan Estimate comparison method from Chapter 2 when you shop lenders. Get at least two Loan Estimates within a 14-day window, credit pulls for mortgage purposes count as a single inquiry when bunched together, and compare the fee sections, not just the interest rates.

If you are under contract and closing is approaching, pull your Loan Estimate and compare it to the Closing Disclosure as soon as the CD arrives. Go line by line through Section A (lender fees) first, since those have zero-tolerance rules. Then review prepaids and escrow deposits and verify your cash-to-close number using the worksheet in this Blueprint.

If something on your Closing Disclosure does not match what you expected, or what this Blueprint said should be there, bring it to a conversation. I can help you read it, understand it, and know when to push back.

Ready When You Are

**Book a Free**
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Bring your Loan Estimate, your Closing Disclosure, or just your questions. A 30-minute call with Derica costs nothing and ends with a clear, honest next step.

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