



WHAT IS “PER DIEM”

in Real Estate Transactions?

In real estate, “per diem” means “per day” and can refer to two things: the daily interest charged on a mortgage loan from the closing date until the first payment, or a daily penalty fee if a closing is delayed beyond the contract date. The first type, per diem interest, is paid at closing to cover the gap between settlement and the first monthly payment. The second, a per diem penalty, is a daily charge to the buyer for each day the closing is late, as described in the purchase contract.

Per diem interest

- This is the daily interest on a mortgage loan that accrues from the day the loan is funded up to the date of the first mortgage payment.
- It’s paid at closing as part of your closing costs and is often calculated for the remaining days in the month.
- It ensures the lender collects interest from the moment the loan is funded and allows you to start your mortgage payments with a “blank slate” for the next month.

For example, if you close on March 15th, your closing costs would include the per diem interest for the rest of March, and your first full mortgage payment would be due on May 1st, covering the interest for April.

Per diem penalty

- This is a daily penalty fee that the buyer may have to pay if the closing occurs after the date specified in the purchase contract.
- The fee is set out in the contract and can be a flat daily amount or a percentage of the purchase price.
- A buyer can avoid this by completing their paperwork and fulfilling their responsibilities in a timely manner.

“Per Diem is a Latin term meaning “per day.”