

You've waited and worked so hard and the big day is here at last. You'll sign lots of papers, hand over lots of money, and finally get the keys to your new home. Closing will complete the sale and make you a homeowner. Let's look at what actually happens when you go to closing.

This information in this chapter will help you identify the major steps and the business individuals involved in a closing, or settlement. You'll also look at the various forms of homeownership and how they can affect the sale or inheritance of your home.

*“One right and honest definition of business is mutual helpfulness”
-William Feather*

Who will be involved in closing?

Many people may be involved in a home sale, but the number of people who attend the closing will vary according to state law and local customs. You'll probably see the seller, the seller's real estate agent, your real estate agent and the person handling the closing such as an attorney, an escrow agent or a closing officer. The seller may have a real estate attorney present. If you are buying the property with a partner such as a spouse, other relative, or friend, then everyone whose name will be on the mortgage loan documents must be present or represented by an authorized agent. If you're buying a home in a brand-new development, such as a new condominium apartment complex, you may be part of a group closing ceremony where the developer settles with several new homeowners at one time. Or, the closing may be private with just you and the closing agent.

You may also decide to have a real estate attorney assist you at closing. If you're wondering why you'd need your own attorney, consider that there may be legal questions that your real estate agent simply cannot answer. If you're buying a FSBO, you'll want to be sure that all legal requirements have been satisfied. If you're buying a home in a brand-new housing development, you may have dealt with only the developer's agents throughout the entire purchase. Plus your real estate agent will not receive a commission until the closing is completed, so your real estate agent's interests may not entirely agree with your own on settlement day. The attorney's fees you pay at closing may well be offset by avoiding more expensive problems later on. Your closing may be so uncomplicated that you won't need an attorney, but you should weigh the value of having one.

The following table provides a brief look at who is involved and what each person does at closing.

Table 9-1: Who's Involved in Closing?

The People	What they do	What they get
Buyer	<ul style="list-style-type: none"> • Deliver down payment. • Pay transaction fees. 	<ul style="list-style-type: none"> • Deed to the property. • New or assumed mortgage loan. • Keys to the home.
Seller	<ul style="list-style-type: none"> • Give up property ownership. • Pay transaction fees. 	<ul style="list-style-type: none"> • Existing mortgage is paid off or assumed. • Profits from the sale.
Lender	<ul style="list-style-type: none"> • Instruct closing agent on closing requirements. • Fund the mortgage loan. 	<ul style="list-style-type: none"> • Loan processing fees. • Loan interest payments. • Collateral (the home).
Real estate agent(s)	<ul style="list-style-type: none"> • Explain closing documents to buyer or seller. 	<ul style="list-style-type: none"> • Commission (percentage of sale price).
Real estate attorney(s)	<ul style="list-style-type: none"> • Advise or represent buyer or seller. • Serve as the closing agent. 	<ul style="list-style-type: none"> • Legal fee.
Title attorney/Title company	<ul style="list-style-type: none"> • Provide proof and insurance that title is clear and transferable. • Serve as the closing agent. 	<ul style="list-style-type: none"> • Legal fee.
Escrow agent	<ul style="list-style-type: none"> • Accept funds from the buyer and seller to be set aside for taxes, assessments, or other fees. • Serve as the closing agent. 	<ul style="list-style-type: none"> • Fee.
Closing agent	<ul style="list-style-type: none"> • Ensure that needed documents are prepared, signed, and recorded. • Collect and pay out fees, payments, and commissions. 	<ul style="list-style-type: none"> • Fee.

What will happen?

The *closing, or settlement*, is a legal process that completes the transfer of property ownership from seller to buyer. It secures the mortgage lender's interest in the property as collateral for the loan, and ensures that the change of ownership is properly entered into public records.

Once the process of closing on your home purchase begins, be sure to take the time to read each document and ask questions about anything you don't understand.

You'll need to make sure of the following important points:

- The interest rate and other loan terms are what were promised to you when your loan application was approved.
- The names and addresses on all documents are correct.
- No unexplained fees have been added to your closing costs.
- The sale price, your earnest money deposit and all down payment amounts are correct on all documents.
- Fees already paid such as the credit report and appraisal are listed as "paid outside of closing" on closing documents so you don't pay twice for the same services.
- The numbers add up correctly.

More than likely, the documents you get will be correct, but, in case they are not, it's up to you to point out errors, so go ahead and request copies of all documents a day or so before the closing takes place. You may decide to have a real estate attorney assist you. You will receive copies of each document for your personal records. Keep these documents together in a safe place for future reference. You'll need to know the amounts of taxes and mortgage interest you've paid when you file your annual income tax return.

"A Knowledge of details has often caught an error before it became a catastrophe."
-Aimee Buchanon

The basic process - You'll make your down payment, accept responsibility for the mortgage loan and receive title to the property. You and the seller will pay all fees and charges associated with the transaction, the real estate agents/brokers and attorneys will receive their commissions or fees. The seller also will receive any profits due from the sale. The seller's mortgage loan will be paid off, unless you are taking over an *assumable loan*. A new deed that names you as the property owner will be filed with the proper local and state government agencies. Finally, you'll get the keys to your new home.

Your payment to the closing agent should be made with a cashier's check; a personal check is **not** acceptable. If you have your bank make the certified check payable to you *OR* the closing agent, either of you can sign and deposit it. That way, if something goes wrong and the settlement isn't completed, you can deposit the check into your account. Please don't have the check made out to you *AND* the agent because both of you would have to sign the check before it could be deposited.

Setting the date - The closing usually takes place 30 to 60 days after the seller accepts your offer. Your real estate agent can help negotiate a convenient closing date that allows time for the seller to perform any cleaning, maintenance or repairs you included as part of your offer. If the home is newly built, it will allow you to make a final inspection and identify problems the builder must correct before you take possession. You'll have time to order your homeowner's insurance policy and send the policy to your settlement agent's office before closing. Take care to

check with your lender before accepting a closing date. If your loan approval has a low interest rate locked in for a specific period of time and mortgage interest rates are rising, you'll want to close before the rate expires. If interest rates are falling, you may feel less pressure to hurry the closing along.

This 30- to 60-day period will also provide time for you and the seller to make moving arrangements. You can give your landlord the customary 30-day notice to vacate and get back any security deposit you've made on rental housing.

The seller will also be able to arrange for new housing. In some areas, it may be customary for the seller to keep possession of the property for two or three days after closing, but it's not required. As the closing date approaches, if the seller appears unable or unwilling to move out, you may need the advice of a real estate attorney.

Your seller may have problems with closing on another home to replace the one you've just bought. A real estate attorney can explain your options, including:

- Delay the closing.
- Delay taking possession of the property.
- Force the seller to vacate the property.

If you choose to delay the closing, be sure that your mortgage rate lock-in won't expire and that you'll have no problem remaining in your current housing. If you choose to settle, then delay taking possession of the property; you'll need to negotiate with the seller on exactly how long the delay will last. You'll also need to decide what the financial consequences of this delay will be. Will the seller pay you rent? If so, how much?

You may decide to hold back some money in an escrow account at closing so the seller will not get all the profits from the sale until the property is vacant. You may also want to negotiate an additional inspection of the property before you take possession. If you choose against delay and force the seller to vacate, be prepared to deal with an unhappy seller at closing.

Try not to schedule your closing for a Monday. Your loan interest charges usually begin on the business day before closing. If your loan documents are printed on a Friday in anticipation of a Monday settlement, you'll pay interest for three days - the weekend - instead of one.

Some people will choose a closing date near the end of the month because the prorated interest they pay at settlement is less at the end of the month than the beginning. However, other people will choose a date near the beginning or middle of the month because the closing agents will be less busy and less likely to make mistakes.

Your real estate agent or your loan officer should be able to tell you when and where the formal closing will take place. It could be in the lender's office, an attorney's office, a closing agent's office or elsewhere.

Closing Documents - You'll come away with a thick folder of documents, many with strange-sounding names. Each document serves a specific purpose and is required by the lender, the federal government or your local government. The following documents should be included:

HUD-1 Statement - This statement provides the buyer and the seller with summaries and itemized lists of all costs involved in the sale. Ask for this the day before so you'll know, to the penny, the amount of money you're required to pay by certified check at closing. In addition, by getting the HUD-1 Statement a day in advance, you'll be able to compare the itemized costs to the costs provided in your Good Faith Estimate and ask for clarification on anything you don't understand. The HUD-1 Statement takes several things into account:

- Terms you negotiated and described in your purchase contract.
- Requirements set forth by your lender.
- Applicable state and local laws.

Take a look at the sample HUD-1 Statement on the following pages to see how it separates costs according to their purpose and according to who has responsibility for payment. Then explore the pages after the HUD-1 Statement to learn more about the various fields and what information is found within them.

After the HUD Statement you'll find samples of two additional important loan closing documents, the HUD Good Faith Estimate (GFE) and the Truth In Lending Disclosure Statement.

A. Settlement Statement (HUD-1)

B. Type of Loan					
1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> RHS	3. <input type="checkbox"/> Conv. Unins.	6. File Number:	7. Loan Number:	8. Mortgage Insurance Case Number:
4. <input type="checkbox"/> VA	5. <input type="checkbox"/> Conv. Ins.				
C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.					
D. Name & Address of Borrower:		E. Name & Address of Seller:		F. Name & Address of Lender:	
G. Property Location:		H. Settlement Agent: Your Name or Company Here		I. Settlement Date:	
		Place of Settlement:			

J. Summary of Borrower's Transaction	K. Summary of Seller's Transaction
100. Gross Amount Due from Borrower	400. Gross Amount Due to Seller
101. Contract sales price	401. Contract sales price
102. Personal property	402. Personal property
103. Settlement charges to borrower (line 1400)	403.
104.	404.
105.	405.
Adjustment for items paid by seller in advance	Adjustments for items paid by seller in advance
106. City/town taxes to /yr.	406. City/town taxes to /yr.
107. County taxes to /yr.	407. County taxes to /yr.
108. Assessments to /yr.	408. Assessments to /yr.
109.	409.
110.	410.
111.	411.
112.	412.
120. Gross Amount Due from Borrower	420. Gross Amount Due to Seller
200. Amounts Paid by or in Behalf of Borrower	500. Reductions In Amount Due to Seller
201. Deposit or earnest money	501. Excess deposit (see instructions)
202. Principal amount of new loan(s)	502. Settlement charges to seller (line 1400)
203. Existing loan(s) taken subject to	503. Existing loan(s) taken subject to
204.	504. Payoff of first mortgage loan
205.	505. Payoff of second mortgage loan
206.	506.
207.	507.
208.	508.
209.	509.
Adjustments for items unpaid by seller	Adjustments for items unpaid by seller
210. City/town taxes to /yr.	510. City/town taxes to /yr.
211. County taxes to /yr.	511. County taxes to /yr.
212. Assessments to /yr.	512. Assessments to /yr.
213.	513.
214.	514.
215.	515.
216.	516.
217.	517.
218.	518.
219.	519.
220. Total Paid by/for Borrower	520. Total Reduction Amount Due Seller
300. Cash at Settlement from/to Borrower	600. Cash at Settlement to/from Seller
301. Gross amount due from borrower (line 120)	601. Gross amount due to seller (line 420)
302. Less amounts paid by/for borrower (line 220)	602. Less reductions in amount due seller (line 520)
303. Cash <input type="checkbox"/> From <input type="checkbox"/> To Borrower	603. Cash <input type="checkbox"/> From <input type="checkbox"/> To Seller

L. Settlement Charges

700. Total Real Estate Broker Fees		Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement
Division of commission (line 700) as follows:			
701. \$	to		
702. \$	to		
703. Commission paid at settlement			
704. Listing Agent Earnest Money Retention			
705.			

800. Items Payable in Connection with Loan			
801. Our origination charge		(from GFE #1)	
802. Your credit or charge (points) for the specific interest rate chosen		(from GFE #2)	
803. Your adjusted origination charges		(from GFE A)	
804. Appraisal fee to		(from GFE #3)	
805. Credit report to		(from GFE #3)	
806. Tax service to		(from GFE #3)	
807. Flood certification		(from GFE #3)	
808.			
809.			
810.			
811.			
812.			
813.			

900. Items Required by Lender to Be Paid in Advance			
901. Daily interest charges from	to	@ \$ /day	(from GFE #10)
902. Mortgage insurance premium for	months to		(from GFE #3)
903. Homeowner's insurance for	years to		(from GFE #11)
904.			
905.			

1000. Reserves Deposited with Lender			
1001. Initial deposit for your escrow account			(from GFE # 9)
1002. Homeowner's insurance	months @ \$	/mo.	
1003. Mortgage insurance	months @ \$	/mo.	
1004. Property taxes	months @ \$	/mo.	
1005.	months @ \$	/mo.	
1006.	months @ \$	/mo.	
1007.	months @ \$	/mo.	
1008. Aggregate Adjustment			-

1100. Title Charges			
1101. Title services and lender's title insurance			(from GFE #4)
1102. Settlement or closing fee to			
1103. Owner's title insurance			(from GFE #5)
1104. Lender's title insurance			
1105. Lender's title policy limit			
1106. Owner's title policy limit			
1107. Agent's portion of the total title insurance premium		to	
1108. Underwriter's portion of the total title insurance premium		to	
1109.			
1110.			
1111.			
1112.			
1113.			
1114.			

1200. Government Recording and Transfer Charges			
1201. Government recording charges			(from GFE #7)
1202. Deed	Mortgage	Releases	
1203. Transfer taxes			(from GFE #8)
1204. City/County tax/stamps	Deed	Mortgage	
1205. State tax/stamps	Deed	Mortgage	
1206.			
1207.			
1208.			

1300. Additional Settlement Charges			
1301. Required services that you can shop for			(from GFE #6)
1302.			
1303.			
1304.			
1305.			
1306.			
1307.			

1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)

Comparison of Good Faith Estimate (GFE) and HUD-1 Charges		Good Faith Estimate	HUD-1
Charges That Cannot Increase	HUD-1 Line Number		
Our origination charge	# 801		
Your credit or charge (points) for the specific interest rate chosen	# 802		
Your adjusted origination charges	# 803		
Transfer taxes	# 1203		

Charges That in Total Cannot Increase More Than 10%		Good Faith Estimate	HUD-1
Government recording charges	# 1201		
	#		
	#		
	#		
	#		
	#		

Total		
Increase between GFE and HUD-1 Charges	\$	

Charges That Can Change		Good Faith Estimate	HUD-1
Initial deposit for your escrow	# 1001		
Daily interest charges	# 901	/day	
Homeowner's insurance	# 903		
	#		
	#		
	#		
	#		
	#		
	#		
	#		

HUD-1 Statement Continued

Loan Terms	
Your initial loan amount is	\$
Your loan term is	
Your initial interest rate is	%
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ includes <input type="checkbox"/> Principal <input type="checkbox"/> Interest <input type="checkbox"/> Mortgage Insurance
Can your interest rate rise?	<input type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of % . The first change will be on and can change again every after . Every change date, your interest rate can increase or decrease by % . Over the life of the loan, your interest rate is guaranteed to never be lower than % or higher than % .
Even if you make payments on time, can your loan balance rise?	<input type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of \$.
Even if you make payments on time, can your monthly amount owed for principal, interest, and mortgage insurance rise?	<input type="checkbox"/> No <input type="checkbox"/> Yes, the first increase can be on and the monthly amount owed can rise to \$. The maximum amount it can ever rise to is \$.
Does your loan have a prepayment penalty?	<input type="checkbox"/> No <input type="checkbox"/> Yes, your maximum prepayment penalty is \$.
Does your loan have a balloon payment?	<input type="checkbox"/> No <input type="checkbox"/> Yes, you have a balloon payment of \$ due in years on .
Total monthly amount owed including escrow account payments.	<input type="checkbox"/> You do not have a monthly escrow payment for items, such as property taxes and homeowner's insurance. You must pay these items directly yourself. <input type="checkbox"/> You have an additional monthly escrow payment of \$ that results in a total initial monthly amount owed of \$. This includes principal, interest, any mortgage insurance and any items checked below: <input type="checkbox"/> Property taxes <input type="checkbox"/> Homeowner's insurance <input type="checkbox"/> Flood insurance <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

Important items to check on a HUD-1 Statement:

- Make sure the seller's name and address fields are correct before you sign the document.
- Make sure the lender's name and address fields are correct before you sign the document.
- Note the address, date and time listed in the Place of Settlement and Settlement Date fields so you can make sure you know when and where the closing will take place.
- Make sure you understand everything in the document before you sign. Don't be afraid to ask questions.

HUD Good Faith Estimate (GFE)

Name of Originator	Your Name or Company Here	Borrower	
Originator Address		Property Address	
Originator Phone Number			
Originator Email		Date of GFE	

Purpose

This GFE gives you an estimate of your settlement charges and loan terms if you are approved for this loan. For more information, see HUD's *Special Information Booklet* on settlement charges, your *Truth-in-Lending Disclosures*, and other consumer information at www.hud.gov/respa. If you decide you would like to proceed with this loan, contact us.

Shopping for your loan

Only you can shop for the best loan for you. Compare this GFE with other loan offers, so you can find the best loan. Use the shopping chart on page 3 to compare all the offers you receive.

Important dates

1. The interest rate for this GFE is available through _____ . After this time, the interest rate, some of your loan Origination Charges, and the monthly payment shown below can change until you lock your interest rate.
2. This estimate for all other settlement charges is available through _____ .
3. After you lock your interest rate, you must go to settlement within _____ days (your rate lock period) to receive the locked interest rate.
4. You must lock the interest rate at least _____ days before settlement.

Summary of your loan

Your initial loan amount is	\$ _____
Your loan term is	_____
Your initial interest rate is	_____ %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ _____ per month
Can your interest rate rise?	<input type="checkbox"/> No. <input type="checkbox"/> Yes, it can rise to a maximum of _____ %. The first change will be in _____.
Even if you make payments on time, can your loan balance rise?	<input type="checkbox"/> No. <input type="checkbox"/> Yes, it can rise to a maximum of \$ _____.
Even if you make payments on time, can your monthly amount owed for principal, interest, and mortgage insurance rise?	<input type="checkbox"/> No. <input type="checkbox"/> Yes, the first increase can be on _____ and the monthly amount owed can rise to _____ . The maximum amount it can ever rise to is \$ _____.
Does your loan have a prepayment penalty?	<input type="checkbox"/> No. <input type="checkbox"/> Yes, your maximum prepayment penalty is \$ _____.
Does your loan have a balloon payment?	<input type="checkbox"/> No. <input type="checkbox"/> Yes, you have a balloon payment of \$ _____ due in _____ years..

Escrow account information

Some lenders require an escrow account to hold funds for paying property taxes or other property related charges in addition to your monthly amount owed of \$ _____ .

Do we require you to have an escrow account for your loan?

No, you do not have an escrow account. You must pay these charges directly when due.

Yes, you have an escrow account. It may or may not cover all of these charges. Ask us.

Summary of your settlement charges

A	A	Your Adjusted Origination Charges (See page 2.)	\$ _____
B	B	Your Charges for All Other Settlement Services (See page 2.)	\$ _____
A	A	B + B Total Estimated Settlement Charges	\$ _____

**Understanding
your estimated
settlement charges**

Your Adjusted Origination Charges

1. Our origination charge. This charge is for getting this loan for you.		\$
2. Your credit or charge (points) for the specific interest rate chosen		\$
<input type="checkbox"/> The credit or charge for the interest rate of _____ % is included in “Our origination charge.” (See item 1 above.)		
<input type="checkbox"/> You receive a credit of \$ _____ for this interest rate of _____ %.		
<input type="checkbox"/> This credit reduces your settlement charges.		
<input type="checkbox"/> You pay a charge of \$ _____ for this interest rate of _____ %.		
This charge (points) increases your total settlement charges.		
The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.		
A	Your Adjusted Origination Charges	\$

Some of these charges can change at settlement. See the top of page 3 for more information.

Your Charges for All Other Settlement Services

3. Required services that we select. These charges are for services we require to complete your settlement. We will choose the providers of these services.		\$
Service	Charge	Service
4. Title services and lender’s title insurance This charge includes the services of a title or settlement agent, for example, and title insurance to protect the lender, if required.		\$
5. Owner’s title insurance You may purchase an owner’s title insurance policy to protect your interest in the property.		\$
6. Required services that you can shop for These charges are for other services that are required to complete your settlement. We can identify providers of these services or you can shop for them yourself. Our estimates for providing these services are below.		\$
Service	Charge	Service
7. Government recording charges. These charges are for state and local fees to record your loan and title documents.		\$
8. Transfer taxes. These charges are for state and local fees on mortgages and home sales.		\$
9. Initial deposit for your escrow account This charge is held in an escrow account to pay future recurring charges on your property and includes all property taxes, all insurance, and other _____.		\$
10. Daily interest charges This charge is for the daily interest on your loan from the day of your settlement until the first day of the next month or the first day of your normal mortgage payment cycle. This amount is \$ _____ per day for _____ days (if your settlement is _____).		\$
11. Homeowner’s insurance. This charge is for the insurance you must buy for the property to protect from a loss, such as fire.		\$
Policy	Charge	Policy
B	Your Charges for All Other Settlement Services	
A	+	B
		Total Estimated Settlement Charges
		\$

Instructions

Understanding which charges can change at settlement

This GFE estimates your settlement charges. At your settlement, you will receive a HUD-1, a form that lists your actual costs. Compare the charges on the HUD-1 with the charges on this GFE. Charges can change if you select your own provider and do not use the companies we identify. (See below for details.)

These charges cannot increase at settlement:	The total of these charges can increase up to 10% at settlement:	These charges can change at settlement:
<ul style="list-style-type: none"> • Our origination charge • Your credit or charge (points) for the specific interest rate chosen <i>(after you lock in your interest rate)</i> • Your adjusted origination charges <i>(after you lock in your interest rate)</i> • Transfer taxes 	<ul style="list-style-type: none"> • Required services that we select • Title services and lender's title insurance <i>(if we select them or you use companies we identify)</i> • Owner's title insurance <i>(if you use companies we identify)</i> • Required services that you can shop for <i>(if you use companies we identify)</i> • Government recording charges 	<ul style="list-style-type: none"> • Required services that you can shop for <i>(if you do not use companies we identify)</i> • Title services and lender's title insurance <i>(if you do not use companies we identify)</i> • Owner's title insurance <i>(if you do not use companies we identify)</i> • Initial deposit for your escrow account • Daily interest charges • Homeowner's insurance

Using the tradeoff table

In this GFE, we offered you this loan with a particular interest rate and estimated settlement charges. However:

- If you want to choose this same loan with **lower settlement charges**, then you will have a **higher interest rate**.
- If you want to choose this same loan with a **lower interest rate**, then you will have **higher settlement charges**.

If you would like to choose an available option, you must ask us for a new GFE.

Loan originators have the option to complete this table. Please ask for additional information if the table is not completed.

	The loan in this GFE	The same loan with lower settlement charges	The same loan with a lower interest rate
Your initial loan amount	\$	\$	\$
Your initial interest rate ¹	%	%	%
Your initial monthly amount owed	\$	\$	\$
Change in the monthly amount owed from this GFE	No change	You will pay \$ more every month	You will pay \$ less every month
Change in the amount you will pay at settlement with this interest rate %	No change	Your settlement charges will be reduced by \$	Your settlement charges will increase by \$
How much your total estimated settlement charges will be	\$	\$	\$

¹ For an adjustable rate loan, the comparisons above are for the initial interest rate before adjustments are made.

Using the shopping chart

Use this chart to compare GFEs from different loan originators. Fill in the information by using a different column for each GFE you receive. By comparing loan offers, you can shop for the best loan.

	This loan	Loan 2	Loan 3	Loan 4
Loan originator name				
Initial loan amount				
Loan term				
Initial interest rate	%			
Initial monthly amount owed				
Rate lock period				
Can interest rate rise?				
Can loan balance rise?				
Can monthly amount owed rise?				
Prepayment penalty?				
Balloon payment?				
Total Estimated Settlement Charges				

If your loan is sold in the future

Some lenders may sell your loan after settlement. Any fees lenders receive in the future cannot change the loan you receive or the charges you paid at settlement.

The Truth-in-Lending Act is aimed at promoting the informed use of consumer credit by requiring disclosures about terms and costs.

SAMPLE TRUTH-IN-LENDING DISCLOSURE STATEMENT
(THIS IS NEITHER A CONTRACT NOR A COMMITMENT TO LEND)

Applicants:
Property Address:
Application No:

Because you may be paying points and other fees, the APR disclosed is often higher than the interest rate on your loan. The APR can be compared to other loans to give you a fair method of comparing prices.

Prepared By:

The mortgage amount minus prepaid finance charges (loan origination fees, points, adjusted interest and initial mortgage insurance premium) and any required balance. It represents a net figure to allow you to accurately assess the amount of credit actually provided.

Date Prepared:

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	AMOUNT FINANCED	TOTAL OF PAYMENTS
The cost of your credit as a yearly rate	The dollar amount the credit will cost you	The amount of credit provided to you or on your behalf	The amount you will have paid after making all payments as scheduled
%	\$	\$	\$

The estimated total amount you will have paid, including principal, interest, prepaid finance charges and mortgage insurance, if you make minimum payments for the entire loan term.

REQUIRED DEPOSIT: The annual percentage rate does not take into account your required deposit

PAYMENTS: Your payment schedule will be:

Number of Payments	Amount of Payments**	When Payments Are Due	Number of Payments	Amount of Payments**	When Payments Are Due	Number of Payments	Amount of Payments**	When Payments Are Due
	Principal, interest and mortgage insurance if applicable.	Monthly Beginning:	The estimated total amount of interest payments for the term of the loan, the amount of interest paid at closing, origination fee and any other charges paid to the lender.		Monthly Beginning:			Monthly Beginning:

Defines circumstances under which the remaining principal and interest amount of the loan is due and payable on demand.

DEMAND FEATURE: This obligation has a demand feature.

VARIABLE RATE FEATURE: This loan has a variable rate feature. A variable rate disclosure has been provided earlier.

CREDIT LIFE/CREDIT DISABILITY: Credit life insurance and credit disability insurance are not required to obtain credit, and will not be provided unless you sign and agree to pay the additional cost.

Type	Premium	Signature
Credit Life		I want credit life insurance. Signature:
Credit Disability		I want credit disability insurance. Signature:
Credit Life and Disability		I want credit life and disability insurance. Signature:

INSURANCE: The following insurance is required to obtain credit:

Credit life insurance Credit disability Property insurance Flood insurance

You may obtain the insurance from anyone you want that is acceptable to creditor

If you purchase property flood insurance from creditor you will pay \$ for a one year term.

SECURITY: You are giving a security interest in:

The goods or property being purchased Real property you already own

FILING FEES: \$ An estimate of the cost of recording the legal documents (mortgage or deed of trust) connected with the transaction, which will be charged at closing.

LATE CHARGE: If a payment is more than days late, you will be charged % of the payment

Defines whether a fee will be charged and if you would be eligible for a refund if you wish to repay part or all of the loan in advance of the regular schedule. If you are not entitled to a refund, you will be charged interest for the period of time you used the money loaned to you. Your prepaid finance charges and any interest already paid are generally not refundable. If you pay the loan off early, you should not have to pay the full amount of the finance charges shown on the disclosure.

PREPAYMENT: If you pay off early, you may will not have to pay a penalty.

may will not be entitled to a refund of part of the finance charge.

ASSUMPTION: Someone buying your property may may, subject to condition may not assume the remainder of your loan on the original terms.

Defines whether or not the loan can be passed on from a seller of a home to another buyer, where the buyer "assumes" all outstanding payments.

See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date and prepayment refunds and penalties.

** NOTE: The Payments shown above include reserve deposits for mortgage insurance (if applicable), but exclude property taxes and insurance.

THE UNDERSIGNED ACKNOWLEDGES RECEIVING A COMPLETED COPY OF THIS DISCLOSURE.

(Applicant) (Date)

(Lender) (Date)

Lenders are required by law to provide the information on this statement in a timely manner. Your signature merely indicates that you received this information and does not obligate you or the lender in any way.

Your Guide to the Most Common Documents

In addition to the previous examples, you'll sign and receive many other documents. The following are some of the **most common documents** you'll see:

- **Deed** - This document transfers or conveys ownership of the property.
- **Initial Escrow Statement** - A portion of each monthly payment will be set aside into an escrow account to pay your local real estate taxes and your insurance premiums.
- **Truth-In-Lending Statement** - Federal law requires your lender to provide this statement when you submit a loan application. If there are significant changes between the rates, terms and amounts quoted when you submitted the application and the actual mortgage note you receive at closing, your lender must provide a revised Truth-in-Lending Statement to explain the differences.
- **Mortgage Note** - This is a legal contract you sign to accept responsibility for repaying the amount of money provided by the lender, plus interest and fees. The note describes when and in what amounts you'll make repayments. It also describes penalties for failure to pay and steps your lender can take to recover the investment. You must make payments - even if you do not receive billing statements or a coupon book. Your payments are due on the first of each month; payments arriving after the 16th are considered late. If there is no early penalty in your note, you can pre-pay your loan by writing a separate check for an additional amount over your monthly payment. Specify on the memo line of the check FOR PRINCIPAL ONLY, and mail this separate check to your loan servicer.
- **Mortgage (Deed of Trust)** - This document establishes an "encumbrance" on your title by giving your lender part ownership of the property until the mortgage loan has been repaid. The mortgage describes in exact detail the amount of money you borrow and the terms by which you agree to repay it. The document lists payment amounts and due dates. It also describes what the lender may do if you fail to make the agreed upon payments. This includes acceleration of the loan, foreclosure and resale of the home, and getting a legal judgment against you.
- **Deed of Trust Rider** - This is an addition or an amendment to a contract. An ARM may have riders attached to establish terms and conditions outside of those normally contained in a mortgage transaction.
- **Title insurance policies** - Your closing costs will include payment for the policy that protects the lender's investment against claims against your ownership of the property. This will repay the lender for the amount of your mortgage loan if, for any reason, your ownership is legally declared void. You should seriously consider a title insurance policy to protect your personal investment also. If your title is voided, an owner's title insurance policy will repay the amounts of your down payment and other costs.
- **Hazard insurance policy** - You'll also pay for this insurance that protects the lender's investment in case your home is damaged or destroyed by fire or storm. To protect yourself, make sure the policy covers the home's contents and provides liability coverage.
- **Flood insurance policy** - Your lender may require this insurance if the home is located in an area subject to flooding when a nearby stream or river is at flood stage.
- **Termite inspection (wood infestation) certificate** - This inspection and certification is required for many federally backed mortgage loans. Your state or local government may also require it.
- **Survey certificate/plat** - These documents show the precise location, size, and boundaries of the property as well as any existing easements (someone else's legal right to use the property), or encroachments (someone else's illegal use of the property).

- ***Certificate of Occupancy*** - This is a statement by the local government that your home meets local building code specifications. For new homes, this certificate is required before you may move in. For existing dwellings, the certificate may be required to ensure the building meets local building codes. Payment for the certificate is open to negotiation between buyer and seller. You can ask the closing agent for copies of all documents a day or so before the scheduled closing. This way, you can read everything and note items you don't understand. You'll have time to ask your realtor, the closing agent, or an attorney for complete explanations. No matter how many documents are handed to you at closing, read everything carefully and do not sign anything you don't understand. Some documents may set up residency requirements, carry criminal penalties or allow the lender to call the loan if you make false statements. Look carefully to make sure that dollar amounts are correct and add up properly. Ask questions until the entire process is clear to you. Don't allow anyone to rush you or insist that you sign now and read later. As the buyer, you're in the driver's seat at closing because there is no deal unless you're satisfied enough to sign.

Summary

What occurs at closing - settlement - will affect you and your household for a long time. Take your time, ask questions and make sure everything that happens is clear to you.

- There are many different real estate professionals involved in closing. Not all of them will attend the settlement.
- Closing is the process of transferring property ownership, funding your mortgage loan, paying professional fees, and recording the change of ownership.