



Step by Step Guide

If it hasn't already, the thrilling reality of buying a home will definitely hit you at the closing! Along with the excitement, the deed and the shiny new keys comes a stack of paperwork. To understand what you're signing, it's important to understand the events leading up to your closing.

1. **It starts when a seller accepts a contract you've put in on their home.** You might put down a deposit check to prove you're serious about the offer. At that point, your settlement agent (often an attorney, and also sometimes referred to as closing agent, escrow officer or escrow agent), gets the ball rolling, deposits any funds you've submitted into a special escrow account and puts in requests for title work, or an examination of the home's ownership history.
2. **A title company begins reviewing the title.** Each home has a series of documents recorded at the local courthouse that reflect prior owners, lenders and other parties who have or had an interest in the home you're buying. These documents are examined to identify all outstanding interests. Then, that paperwork is forwarded to your settlement agent.
3. **Mortgage issues are addressed.** Your settlement agent works with your lender to verify dollar figures and other important details of the transaction. In addition, if prior mortgages have to be paid, or if a loan is being assumed, that's worked out by your settlement agent as well.
4. **The property is inspected.** In most cases, a professional inspector will conduct a home inspection, survey the property and inspect for termites to ensure the integrity of the property.
5. **The HUD-1 statement is prepared.** Your settlement agent prepares this document which shows all costs that will be paid at your closing. Check with your settlement agent to confirm the amount you need to bring to the closing.
6. **You close on your property.** You'll need to provide a picture ID and funds in the amount that your settlement agent says you'll need to complete the closing. During the closing, you (and whoever else is buying the property with you) will sign a number of documents, each of which will be explained to you by the settlement agent. After your closing process is complete, the house is yours.

WELCOME TO HOME OWNERSHIP!!!

Who's Involved In the Process

During the closing process, your **real estate agent** may arrange for a title search. He or she will also arrange for meetings between the buyers and the sellers so that the transaction details can be discussed and agreed on before closing. Sometimes real estate agents also assume responsibility for the closing (acting as settlement agents) if the lawyers, lenders or escrow officers don't do so (though an attorney's involvement is not required in all states).

Your **mortgage representative** is responsible for all the details of your loan, from application through closing.

A **title insurance professional** examines the property's ownership history — making sure the title will transfer smoothly — and issues the title insurance policy.

A **real estate attorney** (not required in all states) is primarily concerned with protecting your legal rights. He or she sees that the title is transferred properly, and can answer questions about your contract and the deed.

A **home inspector, surveyor and termite inspector** may be required to ensure the integrity of the property. The home inspector will go over every facet of the property in detail, and will most likely give you a report that outlines what problems may occur and the current condition of the home. The surveyor will check the actual dimensions of the lot, and the termite inspector will evaluate the home for damage and create a certificate, which is often needed for your mortgage.

A **homeowner's insurance agent** may inspect your home in order to process the property and casualty insurance coverage for your new property, often referred to simply as "homeowner's insurance." (You'll likely need this coverage to qualify for a mortgage.)

A **settlement agent (or closing agent or escrow officer)** makes sure everything is signed and that the appropriate documents are recorded, and that the funds collected for various fees and expenses are properly distributed. The settlement agent is responsible for satisfying all the title conditions, paying the seller and the previous lender, obtaining money from the buyer and new lender, obtaining recording fees and taxes for the government and filing the paperwork at the local courthouse or county recorder's office.

Typically, during the closing itself, the closing or settlement agent and you – or someone representing you – are always present. Often, the seller, or someone representing him or her, may be present too, and real estate agents for you and the seller might attend. A representative of the lender might also attend.

Questions and Answers

What is a closing?

Closing, which is also known as "settlement" or "escrow," is the event where the title to a property is transferred from seller to buyer. Closing is typically held in an office, such as that of an attorney, title agent or title insurance company, and involves the completion of all the necessary paperwork to finalize the agreement between buyer and seller, as well as the collection of all funds required for the transaction.

Once the necessary documents are prepared, signed and recorded at the local courthouse or county recorder's office, the title is considered transferred to the new homeowner.

What are closing costs?

Closing costs are all costs required to close the real estate transaction. They can include (but are not limited to) surveying fees, property taxes, title insurance premiums, attorney fees, real estate agent commissions, points, loan origination fees, private mortgage insurance (PMI), and the balance of your down payment.

Prior to closing, you should review your final closing statement or HUD-1 statement (whichever is in use in your area) to ensure that all the calculations are correct and that you have been given all the credit for deposits and other agreed upon buyer and seller credits. Also recheck all lender, title and escrow fees to make sure they are accurate.

What will happen during the closing process?

- You might do a final walk-through of the home.
- You'll go to the closing location and show your picture ID to the settlement agent.
- You'll present your paid homeowner's insurance policy, or proof that the premium has been paid.
- Your settlement agent will review the closing statement or HUD-1 statement with you, showing all items for which you have paid.
- You'll get inspection reports and warranties.
- You'll sign the mortgage, agreeing that if you don't make payments to the lender as agreed, the lender is entitled to sell your property and apply the sale price against the amount you owe.
- You'll sign a mortgage note, which is your promise to repay the loan.
- You'll typically be given the title to the house in the form of a deed, signed by the sellers.
- You will be asked to sign a number of other documents required by your lender.
- The deed and mortgage will be recorded in the local courthouse or county recorder's office, sometimes called the Registry of Deeds.
- You'll get the keys to your house!