

## Just What Are You Signing At The Closing Table

It's the big day. You have been waiting for this day since your offer was accepted. Your hands are sweating from both nervousness and excitedness. You got your closing check funds in your hand.



You sit down at the closing table with all the other parties; the realtors, seller, title agent, and mortgage broker. Then something catches your eyes, a stack of papers so thick you wonder what forest died for your house. You start to feel overwhelmed knowing that soon you will have to sign those documents. You have heard stories about how so and so should have read the papers before they signed them. You begin to wonder, "Will I have time to read these, or am I just going to have to take their word?"



Well, here is a quick guide as to what is typically in a closing packet.

Most title companies will start with a document called the **HUD-1 Settlement Statement**. This document (looks like a ledger) shows all the monies involved with the transaction. It shows lender fees, title fees, government fees. It shows who is paying what and what is being paid off. This is the Bible when it comes to monies. If the fee is not on there or money is being asked for or distributed without being listed, do not go any further. Make sure that every penny that is exchanged is documented on this document. If they will not put it on the HUD-1, then chances are what they want to do is not legal. Also, it is a good practice to bring the Good Faith Estimate that your broker provided to compare the estimates to the finals. They should be relatively close. If not, again ask questions.

Now that we got the biggest problem out of the way, let's start with the deed. The **Deed** is the document that transfers title of real property from one owner to another. The deed should contain an accurate description of the property being conveyed (often referred to as the legal description), and be signed according to the State laws where the property is located. The deed will be sent to you after the closing agent officially records the deed at your local government office.

The **Mortgage** is not the actual loan, but rather the lien on the real property that gives the lender the right to take the property by foreclosure if you default on the loan. It states your and lender legal rights and obligations including your responsibility to make your mortgage payments (principal and interest) and pay real estate taxes and insurance on time. So when you apply for a mortgage, you are really applying for a new lien to be placed on the house.)

The **Note** is the actual loan. It is a legal document that acknowledges a debt and promises to pay according to the agreed terms of the loan. It also recites the penalties and steps the lender can take if you fail to make your monthly mortgage payments.

The **Truth-in-Lending Statement** is a required document by the Truth-in-Lending Act. This document breaks down the monthly payments over the term of the loan, notifies you if it is an adjustable or fixed mortgage, if there is a pre-payment penalty, and shows the APR. The APR is a means to where a borrower can compare apples to apples. It is an expression of the true costs of the loan expressed in terms of a percentage. The closer the number to the actual interest rate, the less fees you are paying over the term of the loan (this includes interest).

The **Mortgage Servicing Disclosure Statement** lets you know whether the lender has history of selling the mortgage to another lender to service the loan.

The **Initial Escrow Statement** (if you are escrowing) itemizes the estimated taxes, insurance premiums and other charges anticipated to be paid from the escrow account during the first twelve months of the loan. It lists the escrow payment amount and any required cushion. An **Annual Escrow Statement** must be also delivered to borrower once a year. If you are not escrowing, you will sign an affidavit stating such in place of signing this document.



Now, that was not so bad... those are the basic documents that you will come across. There will be other documents that you will need to sign, but most are disclosures specific to your state and/or lender. In some case, you may have already signed most of them when your broker first had you sign the application package.

If when the signing agent is going over these documents and you have a question, do not be afraid to **speak up**. You have just as much to loose as you do to gain with this closing. It is better to err on the side of caution than to just accept what you do not understand.

This article was written by Jason Price with Knightlines Mortgage Services, Altoona, FL  
<http://www.knightlinesmtg.com>

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