

## Buyer Guide provided by Old Towne Title

When you sell or purchase a home, closing on a home sale means legally transferring ownership from one party to another. Also known as “Settlement”, this process can take 30 to 60 days, and culminates in the signing of contracts and passing the keys from the seller to the buyer.

A number of different parties are involved in the process of transferring ownership of real estate. In many areas, you can expect to see all of them at the closing itself but in some cases, only the settlement agent or closing attorney may be present with the buyer/seller.

### *Parties to a Settlement*

**Your Real Estate Agent** acts as an intermediary between you and the seller. Generally assists in helping you purchase property at a fair price and favorable terms.

**Seller** signs the deed over to the buyer and presents the keys to the home.

**Seller’s Real Estate Agent** represents the seller who may or may not be present at the closing itself. Generally assists in helping the seller get the highest possible price and best terms for the property.

**Settlement Agent** is responsible for facilitating the closing by preparing and recording documents.

**Lender/Bank** is the institution that lends the money to the buyer. The lender is often called the “mortgagee” while the borrower is referred to as the “mortgagor”.

### *The Process*

You will be asked to initial and/or sign a number of documents prior to and at closing. Among the most important are:

**Loan Estimate** — Written estimate provided by the lender of all charges—including closing costs, pre-paid and escrowed items—that you are likely to pay at closing. You will have an opportunity to compare your estimate with the HUD-1 or Closing Disclosure (see below) before your closing date.

**Mortgage Note** — A promissory note that states your intent to pay the specific sum of money at a specified rate of interest within a fixed period of time.

**Mortgage** — A legal document that gives the lender the right to take possession of the property if the borrower fails to pay the loan according to the terms of the Note. In some states, this is known as a “deed of trust”.

**HUD-1** — Also called the “settlement statement”. This document provides an itemized breakdown of all costs and disbursements associated with the sale of the home. Since the October 2015 change this document is now primarily used on Cash Sales or Commercial settlements and other limited types of transactions.

**Closing Disclosure**—Implemented in October 2015, this is the document that is required to be presented to and approved by you for review 3 days prior to consummation of your final loan documents. It also gives a breakdown of costs associated with the sale of the home, the terms of your loan such as interest rate and term among other itemized charges.

### **Definitions**

Closing costs are charges that are incurred during the sale or refinance of a property. These charges will vary widely from state to state and lender to lender, but will likely include:

**Points** — Money paid by a borrower to the lender in exchange for a lower interest rate. Each point equals 1% of the loan amount.

**Mortgage Application Fees** — Charged by the lender to cover the costs of processing a loan application. It’s sometimes paid up front at time of application; otherwise, the fees are included in the closing costs.

**Appraisal Fees** — Your lender may require an appraisal of the property’s fair market value to ensure that they’re not lending you more than the house is actually worth. Your real estate agent can help you find a licensed appraiser, but most lenders have their own and will take care of scheduling this directly with the realtor or homeowner. The cost of paying this professional is the fee to assess the fair market value of the property.

**Inspection Fees** — The fees charged for home, pest and other inspections. Lenders sometimes require inspections to verify that the property is in good condition and will retain its collateral value.

**Survey Fee** — The charge for confirming the lot size and shape and to check for any encroachments.

**Title Search Fee** — Paid to the title company to verify that the home’s title is “in the clear” or that no liens or outstanding claims exist on the property.

**Title Insurance Premium** — The lender’s policy covers only the lender and is required in most cases. A buyer’s policy is optional but highly

recommended and is usually very affordable if purchased at the same time as the lender's policy.

**Recording Fees** — Charged by the local register of deeds to make the transfer of property a matter of public record.

**Pre-paid Property Insurance** — The first full year's property insurance premium, paid in advance, directly to the homeowners insurance company.

**Pro-rata Property Taxes** — An adjustment to ensure that both the seller and the buyer pay their share of the annual property tax, proportionate to the percentage of the year that each has owned the property.

**Pro-rata Interest** — An adjustment to cover the interest on the loan for the number of days until the first payment is due. Even though closing or settlement often refers to the actual day that the transaction is finalized, the closing process actually begins as soon as a purchase contract is signed.

**Home Inspection** — You'll want to be sure the home you're purchasing doesn't have any major flaws. Hire a professional inspector to walk you through the property and point out any issues. You should also receive a written summary of the findings.

**Homeowners Insurance** — Because your new home will be used as collateral against your loan, your lender will require that you obtain homeowners insurance. Be sure to take care of this well in advance of the closing date. You will likely be required to show proof of purchase, so ask your insurance company for a binder.

**Walk-Through** – Within 24 hours before your closing meeting, be sure to conduct a walk-through of the property to ensure that it's in good condition and that any issues and/or contingencies have been resolved.

### **Peace of Mind**

During the closing process, Old Towne Title will be conducting a search on the property's title. We search through property records looking for potential problems that might prevent a smooth transfer of ownership, such as old liens, tax liability, and housing code violations.

Meanwhile, one of our settlement agents is hard at work coordinating a lot of details. First, he/she looks over the purchase contract to make sure it's complete and accurate. If you've paid a deposit or "earnest money," the agent places the funds into an escrow account. He/she also coordinates the payoff of an existing mortgage, making sure the payoff figure is available for the final closing.

If there are any problems with the property, we bring them to the attention of all parties involved. In short, we coordinate many behind-the-scenes activities and gain the cooperation needed to ensure a smooth transaction.

**Closing Day!**

When “closing day” finally arrives, you’ll meet with several parties to finalize the transfer of property. Generally, the steps are:

**Sign Documents** — You will be asked to initial and/or sign a number of documents.

**Pay Closing Costs and Escrow** — Since the Closing Disclosure is now given 3 days prior to consummation, you should arrive at closing with a certified check to pay for closing costs made payable to Old Towne Title.

**Handing Over the Keys** — Once all the papers are signed, the money has changed hands and most states documents recorded, you’ll receive the keys to the house from the seller.

After closing the transaction, we officially record the mortgage and deed of trust at your local Recording Office or Register of Deeds. Funds held in escrow, such as broker commissions and money owed to the seller, are disbursed after the transaction is recorded at the municipal office.

If you have any questions, please call our Corporate Office at 540-450-2240!