



Home-Buying Process

Preparation for Closing

Home-Buying Process: Preparation for Closing

Ivan Hernandez, Constance Kratzer, Ph.D. and David P. O'Brien, Ph.D.

When preparing to close your loan, it is important to know the exact time, date, location and amount needed for closing on your home. Most financial institutions require that you bring this amount in certified funds.

Some mortgage companies may close your loan at a title company while others may close at one of their local office locations. Regardless of where you close you should get a copy of your loan documents at least 48 hours BEFORE you close. This will give you time to review all the fees, costs and terms associated with the loan. Also, try to schedule a final walk through 24 hours before you close.

If your loan documents are not ready, at minimum get a copy of the settlement statement, also known as the HUD-1. This document gives the borrower an itemized statement of services provided and the fees charged to the buyer and/or seller. Like a receipt when you go grocery shopping, this is your receipt for your house purchase.

CAUTION: Some dishonest lenders will not give you a copy of your settlement statement until you are at the closing table. They will then try to pressure you to sign quickly so you will not question any extra fees that may have been added to the loan. This can happen especially if the loan will be closed in-house where you do not have a third-party, neutral organization, such as a title company, at the closing. Instead you

have the financial institution that has a vested interest in your loan explaining the loan terms. Not disclosing the loan terms properly can be dangerous for the consumer and increase the costs by thousands of dollars.

The estimated dollar amounts on the Good Faith Estimate and the actual numbers that show up on the settlement statement should be very similar. The individual fees should not vary more than 10 percent from what was quoted originally. Typically, you will notice a difference in fees on your homeowners insurance or property taxes. The difference is the result of your loan officer's estimation of what these fees will be. It is not until the consumer actually purchases the homeowners insurance that these fees are set.

CAUTION: Be sure there are no new fees added to the loan. If there are, ask your loan officer what these fees are for and why they were not included in the original Good Faith Estimate.

If the settlement statement is not available 48 hours before closing, one option is to contact your loan officer. Ask him or her if you can meet at least 24 hours before the closing to go over all the fees associated with the loan. Remember, if you do not feel comfortable with the fees or if you feel that your questions are not being answered to your satisfaction, do not hesitate to back away from the transaction.

A second option is to contact the title company. The title company should be able to provide a copy of your loan documents. If they have not

received the specific terms and conditions of your loan, they can contact your lender. Once they get the specific loan terms and conditions, a copy can be made for you.

A third option would be to contact your real estate professional. Although the real estate professional may not be able to help with the specific loan terms, he or she can help you make sure all the fees charged to you match what was agreed upon in the contract between you and the seller. The professional also will schedule the final walk through on the house you are about to purchase. The final walk through may be slightly different depending on whether you are buying a new or pre-owned house.

Sample: Settlement Statement (HUD-1)

<p>A. U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT SETTLEMENT STATEMENT Title Company</p>	<p>B. TYPE OF LOAN</p> <p>1. <input type="checkbox"/> FHA 2. <input type="checkbox"/> FMHA 3. <input type="checkbox"/> CONV. UNINS. 4. <input type="checkbox"/> VA 5. <input type="checkbox"/> CONV. INS. 6. ESCROW FILE NUMBER: 7. LOAN NUMBER: 8. MORTGAGE INSURANCE-CASE NUMBER:</p>																																																																																																																
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<p>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.</p>																																																																																																																	
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Sample: Settlement Statement (HUD-1) (Cont.)

ADJUSTMENTS FOR ITEMS UNPAID BY SELLER:				ADJUSTMENTS FOR ITEMS UNPAID BY SELLER:			
210	City/Town Taxes			510	City/Town Taxes		
211	County Taxes	01/01/02 to 09/18/02	396.82	511	County Taxes	01/01/02 to 09/18/02	396.82
212	Assessments			512	Assessments		
213				513			
214				514			
215				515			
216				516			
217				517			
218				518			
219				519			
220	TOTAL PAID BY/FOR BORROWER:		78,737.82	520	TOTAL REDUCTIONS IN AMOUNT DUE SELLER:		6,886.65
300. CASH AT SETTLEMENT FROM/TO BORROWER				600. CASH AT SETTLEMENT TO/FROM SELLER			
301	Gross amount due from Borrower (line 120)		78,721.73	601	Gross amount due to Seller (line 420)		75,000.00
302	Less amount paid by/for Borrower (line 220)		78,737.82	602	Less reduction in amount due Seller (line 520)		6,886.65
303	CASH (<input type="checkbox"/> FROM) (<input checked="" type="checkbox"/> TO) BORROWER:		16.09	603	CASH (<input type="checkbox"/> FROM) (<input checked="" type="checkbox"/> TO) SELLER:		68,113.35

700. TOTAL SALES/BROKER'S COMMISSION BASED ON PRICE \$				PROPERTY FILE NUMBER: 00218813-001-188	
BASED ON PRICE\$		75,000.00 @	6.000% =	\$4,500.00	
DIVISION OF COMMISSION (LINE 700) AS FOLLOWS:					
701.	\$	4,500.00 to		PAID FROM BORROWER'S FUNDS AT SETTLEMENT	PAID FROM SELLER'S FUNDS AT SETTLEMENT
702.	\$	to			
703.	Commission paid at settlement				4,500.00
704.	Sales Tax on Commission				292.50
800. ITEMS PAYABLE IN CONNECTION WITH LOAN					
801.	Loan Origination Fee	1.0000 % to	Mortgage LLC	727.50	
802.	Loan Discount Fee	1.0000 % to	Mortgage LLC	738.41	
803.	Appraisal Fee	to			452.63
804.	Credit Report	to		52.00	
805.	Lenders Inspection Fee				
806.	Mortgage Insurance Application Fee	to	Mortgage LLC	1,091.25	
807.	Assumption Fee				
808.	Flood Search	to	Mortgage LLC		16.00
809.	Document Review Fee	to	Mortgage LLC		159.00
810.					
811.					
900. ITEMS REQUIRED BY LENDER TO BE PAYED IN ADVANCE					
901.	Interest From	09/18/02 to 10/01/02 @ \$11.5500/day	% (13 days)	150.15	
902.	Mortgage Insurance Premium for	Month(s) to			
903.	Hazard Insurance Premium for	1 Years(s) to Farmers		248.18	
904.	Interest 2nd Mortgage	to	Mortgage LLC	8.58	
905.					
1000. RESERVES DEPOSITED WITH LENDER					
1001.	Hazard Insurance	4 months @ \$	20.68 per month	82.72	
1002.	Mortgage Insurance	months @ \$	per month		
1003.	City Property Taxes	months @ \$	per month		
1004.	County Property Taxes	9 months @ \$	46.42 per month	417.78	
1005.	Annual Assessments	months @ \$	per month		
1006.		months @ \$	per month		
1007.		months @ \$	per month		
1008.	Aggregate Acct. Adj.	months @ \$	per month	-154.87	

Home Buying Process: Preparation for Closing

Sample: Settlement Statement (HUD-1) (Cont.)

1100. TITLE CHARGES				
1101. Settlement or closing fee	to	Title Company	110.00	110.00
1102. Abstract or title search				
1103. Title examination				
1104. Title insurance binder	to	Title Company		50.00
1105. Document preparation				
1106. Notary fees				
1107. Attorney's Fees				
(includes above items numbers:				
1108. Title insurance	to	Title Company	30.00	615.00
(includes above items numbers:				
1109. Lenders coverage	\$	71,250.00		
1110. Owner's coverage	\$	75,000.00		
1111. Endorsements	to	Title Company	50.00	
1112. Escrow Sales Tax	to	Title Company	7.15	7.15
1113.				
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES				
1201. Recording Fees: Deed \$	9.00	Mortgage \$	39.00	Release \$
			48.00	
1202. City/County tax/stamps		Deed \$		Mortgage \$
1203. State tax/stamps		Deed \$		Mortgage \$
1204. recording of 2nd Mortgage to		Title Company	17.00	
1205. Assignment of Mortgage to		Title Company	18.00	
1300. ADDITIONAL SETTLEMENT CHARGES				
1301. Survey	to			287.55
1302. Pest Inspection	to		79.88	
1303.				
1304.				
1305.				
1306.				
1307. **See attached for breakdown				
1400. TOTAL SETTLEMENT CHARGES (Enter on line 103, Section J - and - line 502, Section K)			3,721.73	6,489.83

Home Buying Process: Preparation for Closing

This resource is one in a series on the Home-Buying Process which include:

Financial Readiness

What Creditors Look For
Finding Mortgage Money
Types of Financial Institutions
Mortgage Options
Down Payment and Closing Costs
Pre-Qualification or Pre-Approval

Factors to Consider in Housing Selection

Personal Needs and Wants
Location
Type and Style of House
Type of Construction
Interior and Exterior Space
Special Needs
Building as an Option

Locating a House

Finding the House
Using Real Estate Professionals
Buying Direct From Owner

The Sales Contract

Components
Acceptance

Home Inspections

Reasons for Home Inspections
Locating an Inspector
What Inspections Include
Limits of Liability

The Mortgage Process

Loan Application Process
Approval or Rejection
The Mortgage Payment

Purchasing Homeowners Insurance

Before You Start Looking for a Home
Stability of the Insurance Company
Costs and Coverage
Customer Service

Warranties

The Closing

Preparation for Closing
Final Walk Through
Closing Day Procedures

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