

## **What's In Store at the Real Estate Closing?**

Submitted by the Richmond Association of REALTORS®

After all of the searching, negotiating, inspecting, and moving preparations, the sales transaction ultimately concludes with the real estate “closing.” This meeting usually takes place at the office of the closing attorney or settlement service provider and generally includes the buyer, seller, and respective real estate agents. Closings can be overwhelming, especially for first-time homebuyers, and can quickly become complicated due to all of the parties involved. It is not uncommon for a closing to be postponed by several hours, days or more because of unexpected glitches such as missing information. Navigating through a real estate closing can be difficult at times, but your REALTOR® can help guide you through the closing process right into your new home. Below are a few things to keep in mind.

### **Common Closing Costs for Buyers**

The mortgage lender must provide a “good faith estimate” of all settlement costs, which is a basic approximation of the money you will need at closing. Keep in mind, however, the estimate is just that. Be prepared for last minute changes or jumps in your closing fees. Plan ahead and remember that the check to cover your closing costs will probably have to be a cashier’s check. Your attorney or settlement service firm conducting the closing will tell you the required amount for:

- Down payment;
- Loan origination fees;
- Points or loan discount fees you pay to receive a lower interest rate;
- Appraisal fee;
- Credit report;
- Private mortgage insurance (PMI) premium;
- Insurance escrow for homeowners insurance, if being paid as part of the mortgage;
- Property tax escrow, if being paid as part of the mortgage. Lenders keep funds for taxes and insurance in escrow accounts as they are paid with the mortgage, then they pay the insurance or taxes on your behalf;
- Deed recording fees;
- Title insurance policy premiums;
- Survey;
- Inspection fees—building inspection, termites, etc;
- Notary fees; and
- Prorations for your share of costs such as utility bills and property taxes.

## What Closing Documents You Should Keep

- The Real Estate Settlement Procedures Act (RESPA) statement. This form, sometimes called a HUD-1 statement, itemizes all the costs associated with the closing. You'll need this for income tax purposes and when you sell the home.
- The Truth in Lending Statement summarizes the terms of your mortgage loan.
- The mortgage and the note (two pieces of paper) spell out the legal terms of your mortgage obligation and the agreed-upon repayment terms.
- The deed, which legally transfers ownership of the property to you.
- Affidavits swearing to various statements by either party. For example, the sellers will often sign an affidavit stating that they have not incurred any liens on the property.
- Riders are amendments to the sales contract that affect your rights. For example, if you buy a condominium, you may have a rider outline the condo association's rules and restrictions.
- Insurance policies provide a record and proof of your coverage.

If you're unsure of whether to hold onto a document, it's probably better to keep it just in case.

Remember that after all is said and done, a new home awaits you. In the meantime, the help and expertise of your REALTOR® can bridge the gap between where you've been, where you're going, and what you'll need along the way.