

Closing Process

To prepare for closing on a house, make sure you have the items you'll need to bring. Here are some examples:

- Government-issued photo ID for borrower and co-borrower
- Binder for homeowners' insurance (hazard insurance) and paid receipt
- Cash necessary for closing costs (typically a cashier's check; not a personal check)

Although closing may only take an hour, consider setting aside extra time; you will be signing many documents. Your closing agent will explain what you are signing and you will have the opportunity to ask questions.

What Documents Do You Sign at Closing?

- **The Deed.** This document transfers ownership of the property from the seller to the buyer. The closing agent and/or an attorney will review the deed and the title insurance commitment to make sure the legal descriptions match, because errors could affect your ownership of the property.
- **Lender's title insurance.** This protects the lender up to the amount they are lending, if someone later sues and says they have a claim against the property.
- **Owner's title insurance.** This protects your financial investment in the home, if someone later sues and says they have a claim against your property.
- **The Note.** This is the contract in which you promise to repay your mortgage loan. It specifies the terms and conditions of your loan and how you will be required to repay it.
- **The Mortgage or Deed of Trust.** In this document, you pledge your home as collateral for the mortgage loan. (Some states use a mortgage and other states use a deed of trust.)

Make sure you read and understand all of the documents you are signing at closing, as well as the closing costs. At closing, you will have the opportunity to ask questions and feel comfortable about the transaction.

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What are closing costs?

Closing costs are fees paid at closing (settlement). By law, closing costs must be listed on a document called the Closing Disclosure.

At closing, the borrower has the opportunity to carefully review the Closing Disclosure to confirm all of the costs and details of the loan.

Specifically, what are closing costs? Here are some examples. (Depending upon your loan type and other factors, some of these closing costs will not apply and/or there may be additional costs not listed here.)

- Points
- Application Fee
- Underwriting Fee
- Appraisal Fee
- Credit Report Fee
- Flood Determination Fee
- Pest Inspection Fee
- Survey Fee
- Title Service Fee
- Lender's Title Insurance
- Owner's Title Insurance
- Recording Fee
- Transfer Tax
- Homeowners' Insurance Premium
- Mortgage Insurance Premium (MIP) or Private Mortgage Insurance (PMI)
- Prepaid Interest
- Property Taxes
- Homeowner Association Fee
- Attorney Fees
- Real Estate Agent Fee (when buying a house)

Typically, these costs must be paid for with a cashier's check. The borrower may also need to bring additional cash to close to cover the down payment.

Typically, closing costs range from 2% to 6% of the purchase price or appraised value of your home.

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