



Closing Your Mortgage

Introduction

Once your application for a mortgage has been fully approved, the final step before you can call the house your own is the closing, or settlement. Even though you have signed a purchase agreement and your loan request has been approved, you have no rights to the property, including access, until the legal title to the property is transferred to you and the loan is closed. You should have a good understanding of what is involved in the closing process, because there are a number of things that you can do to make sure that it goes smoothly and occurs on time.

At closing, you will sign the mortgage documents, the seller will execute the deed to the property, funds will be collected and disbursed and the closing agent will record the necessary legal instruments to give you ownership of the property.

Settlement of a mortgage loan is a legal process, therefore, specific procedures and requirements will vary according to federal, state and local laws, but a general description of closing practices can help you through the process.

Between Commitment and Closing

As soon as you receive final approval from NVR Mortgage you should confirm the actual date of loan settlement with your builder representative. An estimated closing date was probably specified in the sale contract, but a firm date needs to be set by the seller of the property. The settlement date also has to allow adequate time to assemble all of the required documentation. The builder representative and NVR Mortgage are often the best people to coordinate the closing arrangements.

There are standard documents that are commonly required for a loan closing, regardless of jurisdiction. Some of these will be your responsibility and others will be the responsibility of the seller. The following documents are typically required for closing.

➤ **Title Insurance Policy**

Every lender will require title insurance. The company issuing the title insurance policy will have researched legal records to make sure that you are receiving clear title, or ownership, to the property. Their title search has established that the seller of the property is the legal owner, and that there are no claims, or liens, against the property. The title company offers both a lender's policy and an owner's policy. You are responsible for paying the lender's policy and you will have the option to purchase the owner's policy. For an additional premium, the owner's policy will protect you up to the full value of the property if fraud, a lien or faulty title is discovered after closing.

➤ **Homeowner's Insurance**

NVR Mortgage will require you to have homeowner's insurance on the property at least in the amount of the replacement cost of the dwelling. You should make sure the policy covers the value of your home and contents in the event they are destroyed by fire or storm. You must pay for the policy and provide it to NVR Mortgage prior to closing.

➤ **Termite Inspection and Certification**

In many areas of the country, the property must be inspected for termites. In some parts of the country, this may be called a "wood infestation" or a "soil treatment" report. The report is required on all FHA and VA loans as well as many conventional loans.



➤ **Survey or Plat Plan**

NVR Mortgage will require a survey of the property, showing the property boundaries, the location of the improvements, any easements for utilities or street right-of-way and any encroachments on the boundaries by fences or buildings. Encroachments can be minor, such as a fence, or may be serious and have to be corrected before closing.

➤ **Water and Sewer Certification**

If the property is not served by public water and sewer facilities you will need local government certification of the private water source and sanitary sewer facility. County codes and standards usually govern properties with well and septic water sources.

➤ **Flood Insurance**

If NVR Mortgage or the appraiser determines that the property is located within a defined flood plain, NVR Mortgage will require a flood insurance policy. The policy must remain in force for the life of the loan.

➤ **Certificate of Occupancy or Building Code Compliance Letter**

Since your home is new construction, you are required to have a Certificate of Occupancy, usually from the city or county, before you can close the loan and settle. The builder will obtain the certificate from the appropriate authority. Many local governments require an inspection when a home is sold to see if the property conforms to local building codes. Code violations may require repairs or replacement of structural or mechanical elements.

The Loan Closing

The actual loan closing procedure, including who conducts the closing and who is present, depends upon local law and lender practices. Some states require that you be represented by an attorney, others do not.

The actual closing is conducted by a closing agent, who may be an employee of the lender or the settlement company or it may be an attorney representing you or the lender. The lender and seller, or their representatives, and the real estate agents may or may not be at the actual closing. It is not unusual for all parties to the transaction to complete their roles without ever meeting face to face.

The closing agent will have received instructions from NVR Mortgage on how the loan is to be documented and the funds disbursed, and will have collected all of the necessary documents from you, the seller and the lender. The closing agent will make sure that all necessary papers are signed and recorded and that funds are properly disbursed and accounted for when the closing is completed.

You typically need to come to settlement with a certified check for the closing costs and the remaining balance of the down payment, if any. You can get the exact figure a day or two prior to the closing from NVR Mortgage or the settlement company.

One of the final documents you will receive just prior to settlement is a copy of the closing statement (HUD-1); a final copy is provided at settlement. Keep a copy filed away as you will need it again when you prepare your tax return.

The Important Documents

For the most part, your role at closing is to review and sign the numerous documents associated with your mortgage. The closing agent should explain the nature and purpose of each one and give you an opportunity to review them before signing. A brief description of the major documents may help you understand their purpose and significance.



Truth-in-Lending Statement (TIL)

This form is required by Federal law and identifies the total cost of the loan over its term. You were given an initial TIL shortly after you completed the loan application. If there are significant changes, Federal law requires you to sign an updated TIL no later than 3 business days before settlement.

The HUD 1 Statement

The HUD1 statement provides all costs associated with the transaction. All fees, taxes, and other expenses will be itemized on the HUD1. This is typically the first document that you will review with your settlement agent.

The Mortgage Note

The mortgage note (promissory note) is legal evidence of your indebtedness and your formal promise to repay the debt. It sets out the amount and terms of the loan and also recites the penalties and steps the lender can take if you fail to make your payments on time.

The Mortgage or Deed of Trust

This is the "security instrument" which gives the lender a claim against your house if you fail to live up to the terms of the mortgage note. It recites the legal rights and obligations of both you and the lender and gives the lender the right to take the property by foreclosure if you default on the loan. The mortgage or deed of trust will be recorded in the county land records.

Miscellaneous Documents

There will be a number of documents or affidavits that you will be asked to sign at closing. Some are lender requirements (e.g. a statement that you intend to occupy the property as your primary residence), or are required by state or Federal law. These instruments should not be taken lightly. Some provide for criminal penalties for false information and some may give the lender the right to call your loan, which means the entire loan amount becomes immediately due and payable. When everything has been signed and the closing agent is satisfied that all of the instructions for settlement have been met, you become the owner and are given the keys to your new home.

