

RE07R13: Closing and Settlement

I. Role of the Closing/Settlement in the Real Estate Cycle:

- A. **Listing Agent** – (def.) A Listing agent lists the home for sale and generally markets it through a Multiple Listing Service. The listing agreement serves as a contract between the seller and the agent, and spells out how the listing agent will be paid. Responsibilities of seller's agent include getting the highest purchase price and best terms possible for the seller

Tip: "Once a listing agent has posted a property for sale he/she should have completed their Due diligence knowing everything about the property that must be shared with a prospective buyer understanding "Full disclosure" will keep them out of hot water." Frank Bertolino – Keller Williams

- B. **Showing** – A showing is one of the most critical parts of the Real Estate sale process. The experience a Buyer has when seeing the property for the first time sets the table for any further interest they may express. Thoroughly understanding the fundamentals of the property being shown is supremely important and will be recognized and appreciated by a potential Buyer.

Tip: "When I do a showing I try to put myself in the position of the Buyer. I try to be 100% prepared with every bit of information I would want if I were the Buyer. I don't do a lot of talking when I'm showing the property. I'm letting them see it – absorb it; I have a full packet of information available for the buyer (e.g. utilities, seller disclosures, any piece of information they would possibly need to buy the property). After the showing, the Buyer should be able to leave the property and write up an offer."

– Cheryl Caldwell /William Raveis

- C. **Offer and Acceptance** – aka **Contract to Purchase Real Estate** .

(def.) in general terms – this is an "Enforceable Contract" – this document alone could take up an entire seminar.

Controlling case: McCarthy v. Tobin, 429 Mass. 84 (1999), the Massachusetts Supreme Judicial Court noted that "the controlling fact is the intention of the parties." *Id.* at 87. In that case, the seller argued that the OTP (*sic* offer to purchase) was not binding because it contained a provision requiring the execution of a P&S. The Court disagreed, noting that, [i]f ... the parties have agreed upon all material terms, it may be inferred that the purpose of the final document which the parties have agreed to execute is to serve as a polished memorandum of an already binding contract.

Tip: Always consider the terms included in this contract as those that will carry over to the final Purchase and Sale agreement. (e.g. "included in the sale is the swing set in the backyard") – Charlie Palmisano, Esq. Liberty Law & Title, LLC

- D. **Purchase & Sale Agreement** - (def.) This document typically incorporates the terms of the Offer. It further expands upon the mutual obligations of buyer and seller. For example, included in the terms will be

specifics on the expectation between the parties as to the condition of the property just prior to closing. It also talks about adjustments, title matters, notices and default remedies to name a few.

Tip: "First and foremost - don't sign without first having it reviewed by and subsequent discussions with an attorney." Mary Parisella – Keller Williams

- E. **Financing** - (*def.*) Most purchases involve some level of financing. As you may know, a Seller, via their agent prefer to see a Buyer's pre-approval letter from a reputable lender prior to accepting an offer.

Percent down – It is typical to see twenty (20%) percent as the average amount of a down payment for a purchase. However, there are many variations and options with regard to what a Buyer may put down on a home.

Tip: For example, "If you don't have a 20% down payment, PMI can help you buy a home. By financing your home with mortgage insurance, you could make a smaller down payment on a larger more expensive home that better suits your needs." Dan/Mike – Fairway Mortgage

Approximate turn-around time. – It is important to be aware of approximately how long it takes for a Lender to issue a "Full Commitment" for financing when addressing the financing contingency in an Offer.

- F. **Credit score** (*def.*) Credit scores are required for most mortgage loans purchased or securitized by Fannie Mae. The lender must attempt to obtain and use the classic FICO credit score for each borrower. The classic FICO is produced from the three major credit repositories.

Equifax Beacon®
Experian®/
TransUnion FICO®

-from Fannie Mae's website

Tip: "Lenders typically look for a credit score of 680 and up as reported by the three major credit bureaus." Peter Matthews – Newburyport V

- G. **Conventional.** (*uninsured versus insured*)

Conventional (Uninsured)

(*def.*) A conventional loan has no government insurance and so typically has a higher interest rate but offers more flexibility in terms, such as length of the loan and interest options. A conventional loan usually requires higher down payments, often up to 20 percent of the loan. Conventional loans are processed more quickly because they require less paperwork and do not need approval of government agencies.

Conventional (Insured Loans)

(*def.*) Conventional loans also can be insured, with a private mortgage insurance policy. Some conventional lenders require insurance, especially if the down payment is below 20 percent, and may allow the insurance premium to be rolled into the loan amount. An insured conventional loan is much like an FHA loan, except the insurer is private rather than government. A loan for less than 80 percent of the house value is usually not insured.

PMI (Purchase Mortgage Insurance) – (*def.*) Mortgage insurance reimburses the lender if you default on your home loan. You, the borrower, pay the premiums. Often known as private mortgage insurance, or PMI

H. Title Search

Closing attorney typically orders a Title search in order to determine if the title is clear. After the purchase and sale agreement has been signed and financing arranged, a full examination of the title must be undertaken, covering at least 50 years.

I. Closing/Settlement

In Massachusetts, Attorneys are primarily charged with the task of performing Real Estate Closings on behalf of a Lender & issuing an Attorney's Certificate of Title to the Lender. M.G.L.Chapter 93 Section 70.

II. Sellers Closing Cost and Responsibilities:

A. **Deed** – A Deed must be provided by Seller and available at closing. The deed will contain language indicating to whom the property is being sold to, the consideration paid, in a recordable form signed by the Seller and notarized.

Quitclaim Deed.

(def.) A quitclaim deed is a release by the grantor, or conveyor of the deed, of any interest the grantor may have in the property described in the deed. Generally a quitclaim deed relieves the grantor of liability regarding the ownership of the property. Thus, the grantor of a quitclaim deed will not be liable to the grantee, or recipient of the deed, if a competing claim to the property is later discovered. A quitclaim deed is not a guarantee that the grantor has clear title to the property; rather it is a relinquishment of the grantor's rights, if any, in the property. By contrast, in a warranty deed the grantor promises that she owns the property with no cloud on the title (that is, no competing claims).

The holder of a quitclaim deed receives only the interest owned by the person conveying the deed. If the grantee of a quitclaim deed learns after accepting the deed that the grantor did not own the property, the grantee may lose the property to the true owner. If it turns out that the grantor had only a partial interest in the property, the quitclaim deed holder holds only that partial interest.

Warranty Deed. (not typical, but sometimes seen/used in Western Mass)

(def.) A warranty deed generally offers the greatest amount of protection to someone who is purchasing or receiving the title to a piece of real estate (the grantee). A warranty deed includes four basic assurances to the grantee at the time of transaction. The first warranty is that the current owner and seller of the title (the grantor) does in fact own the real estate in fee simple, which assures the grantor has absolute ownership of the property. Second, a warranty deed guarantees that the property is free from any encumbrances (anything that affects or limits the title of the property such as easements or liens) except for those specifically stated in the deed. Third, the warranty deed guarantees that the grantor of the title has the legal right to sell or transfer the property to grantee. Lastly, through the deed, the grantor promises to defend against any legal claims regarding problems with the title that arose not only during the grantor's ownership period but also prior to that period time.

B. Land Court

The Land Court was originally established to oversee the **Massachusetts land registration system**. Approximately 15-20% of all property in Massachusetts is registered land. Non-registered land is referred to as recorded land.

The purpose of the registered land system — modeled after the Australian Torrens system — is to make land titles as clear and defect-free as possible. To register land, property owners have to go through a fairly rigorous process where a land court title examiner searches and certifies title and a formal plan of the land is approved. All defects and title issues are fully vetted and resolved, if possible, and upon registration, the land is deemed free of defects except noted by the examiner, including claims of adverse possession. Registered land is freely transferable, and there is no discernible difference in examining title to registered land, other than recording which involves a few more steps than non-registered land.

C. Real Estate Commission

The MLS Listing Agreement specifies the REALTORS® commission

D. Municipal Lien Certificate (MLC) – MGL Chapter 60 Section 23. In summary, a certificate issued ...”under this section may be filed for record or registration, as the case may be, within *one hundred and fifty days* after its date, and if so filed *shall operate to discharge the parcel of real estate specified* from the liens for all taxes, assessments, or portions thereof, rates and charges which do not appear by said certificate to constitute liens thereon...” While there are exceptions, the MLC is a recordable document that is necessary to “seal off” the liability of the property and/or new homeowner from any tax liens. Any outstanding taxes appearing on the MLC and/or tax liens recorded at the Registry of Deeds must be accounted for and paid at closing. *Once the MLC is recorded and said disclosed tax/fees are paid, then the City/Town may not come back and ask for any additional fees against the property that may have accrued prior to the MLC issuance.*

E. Proration of Water, Sewer & Taxes

Standard form Purchase and Sale agreements address Adjustments regarding water, sewer, taxes, fuel and other items customarily associated with the transfer of property. (*materials provided today have examples of these*)

D. Recording Fees

Document Type	Price*
Declaration of Homestead	\$35
Declaration of Trust	\$225
Deed	\$125
Mortgage	\$175
Mortgage Foreclosure Deed & Affidavit	\$125
Mortgage Discharge, Release or Partial Release (<i>if recorded before July 14, 2003</i>)	\$30
Mortgage Discharge, Release or Partial Release (<i>recorded July 14, 2003 or thereafter</i>)	\$75
Municipal Lien Certificate	\$65
UCC Documents	\$45
Federal Tax Liens (<i>and related documents</i>)	\$5
Plans (<i>per sheet</i>)	\$75
All other documents	\$75
Certified Copies (<i>per page</i>)	\$1

E. Sellers Attorney Fees – Seller may hire an attorney and their charge may appear on the HUD – Seller side.

F. Mortgage Payoff – While it is ultimately the obligation of the Seller to provide a written payoff of mortgage(s) at or prior to closing it is customary for the Closing attorney to obtain authorization from the Seller to request a payoff. Also, a Seller's attorney may obtain on behalf of his/her client. After closing, a payoff is either overnighted or wired from the Attorney's IOLTA account. Wire is often the preferred method (e.g. less days' interest for the Seller is more acceptable to the receiving entity versus an Attorney's IOLTA chk.

Tip: "It is helpful to let your Seller know that he/she will want to be in contact with the closing attorney to determine/confirm if in fact the closing attorney has/is ordering the payoff for closing. Some Lenders have up to a five "business" day turn-around". Robert Ciampitti, Jr. Esq. – Liberty Law & Title, LLC

G. Urea Formaldehyde Foam Insulation Certificate (UFFI) Certificate / Lender Requirements

Massachusetts General Laws c. 255, § 12(I) required that residential sellers disclose the presence of UFFI. UFFI was an insulation retrofit common in the 1970's. The outgassing formaldehyde from UFFI declines steadily over months and years. Medical professionals and legislators agreed on this, therefore since 2002, sellers have no longer been statutorily required to disclose the existence or nonexistence of any UFFI. (see 2002 Mass. Acts c. 248).

Note: Despite the statute being repealed, almost all mortgage lenders still require a UFFI certification to be signed at closing.

H. Smoke Detector/Carbon Monoxide Certificate

One of the requirements of every home owner in Massachusetts when selling a property is to provide the new owner with working smoke and carbon monoxide detectors and obtain a Smoke/Carbon Certification. The local fire department in which the home is located is responsible for conducting the inspection.

<http://www.mass.gov/eopss/agencies/dfs/dfs2/osfm/fire-prev/smoke-alarm-regulations.html>

Carbon Monoxide (CO) Alarms

Since March 2006, homes have been required to install carbon monoxide detectors on each habitable level as well.

***Enforcement Upon Sale or Transfer**

The enforcement of the regulation will continue to take place when the residence is sold or transferred.

Tip: "When you list your next property, add this to your "to do" list: Call the fire department 3 weeks prior to closing to set up an inspection appointment for Smoke/Carbon certs. Staple the original paperwork to your file so it's ready for closing. " -Robin Moore - Bean Group

I. Excise Tax Stamps (*aka deed stamps, transfer tax or property transfer tax*)

<https://malegislature.gov/Laws/GeneralLaws/PartI/TitleIX/Chapter64D/Section1>

In Massachusetts anytime a sale of property occurs - a tax on selling the property attaches. The calculation is \$4.56 per thousand of the purchase price on the deed. For example, a property with a sale price of \$500,000 would incur a tax of \$2,280 tax bill.

*Barnstable and Islands –there are additional charges.

Exemptions: a. Fannie Mae /Freddie Mac as Grantors. b. Transfer among family members or another party for nominal consideration.

J. Title V (single unit) – Properties that have an “*on-site sewage disposal system*” fall under the guidelines and enforcement provisions of Title V (State Environmental Code, Title 5)

<http://www.mass.gov/eea/agencies/massdep/water/wastewater/septic-systems-title-5.html>

In general, Title 5 requires an inspection at the time of property transfer:

When a property is sold to new owners, or there otherwise is a transfer of title to new owners, with certain exceptions:

- a. "Title 5 does not require a system inspection if the transfer is of residential real property, and is between the following relationships: (1) between current spouses; (2) between parents and their children; (3) between full siblings; and (4) where the grantor transfers the real property to be held in a revocable or irrevocable trust, where at least one of the designated beneficiaries is of the first degree of relationship to the grantor".
[Ref: MGL Ch. 21A s. 13]
- b. For specific guidance on exemptions, contact MassDEP with questions: call 617-292-5673.
- c. When properties are divided or combined.

Note: Even if there is not a sale or transfer of title, Title 5 requires an inspection when there is a change in use or an expansion of the facility. For example, conversion of a retail store to a restaurant requires an inspection.

Tip: Reasons to have the Septic System inspected under Title V as far in advance as possible –

“There are WAY too many moving parts for a seller to wait until the house goes under agreement. Buyer’s expectation is that the Title V has been completed ahead of time as well. God forbid it fails – If it does, it’s difficult to anticipate what you’re looking at in terms of price, design, location, repair or replacement of the system and not to mention the landscaping. – Gretchen Maguire – Re/Max on the River

K. Lead Paint Forms: The following links will bring you to the Lead Forms available on-line.

<http://www.mass.gov/eohhs/gov/departments/dph/programs/environmental-health/exposure-topics/lead/lead/property-transfer-lead-paint-notification.html>

<http://www.mass.gov/eohhs/docs/dph/environmental/lead/property-transfer-note.pdf>

- L. Certificate of Occupancy** (*def.*) A certificate of occupancy is a document issued by a local government agency or building department certifying a building's compliance with applicable building codes and other laws, and indicating it to be in a condition suitable for occupancy. In practical terms a Certificate of Occupancy (CO) is generally only required for new construction (with some exceptions).

Tip: Typically a newly renovated property only requires a copy of the "signed-off" building permit for occupancy. However, to avoid any uncertainty at the closing table, the building department – for a small fee- may issue a CO for a newly renovated property. – Craig Pessina/ President Chart House Development

M. Order of Conditions / Board of Health (See attached Timeline)

Massachusetts has a very stringent wetlands and environmental code. It is required that any work near a wetland resource area require a permit from your local town Conservation Commission. Once the project is approved an "Order of Conditions" will issue.

Note: Order of Conditions do not affect "marketability of title"

Important Court Case: "This court concluded that an order of conditions regarding a particular piece of property, which had expired with some work requirements uncompleted prior to transfer of that property, had no effect on the marketability of the title to that property, nor did it create a defect, lien, or encumbrance on the title. [865-867]."

CRAIG E. LYON vs. JOANNE P. DUFFY. Superior Court, Plymouth, MA

Tip: Here is a standard paragraph we use in our Buyer Riders to cover this contingency - "If the Premises are affected by a locus specific Order of Conditions issued by the Conservation Commission for the City in which the Premises are situated Seller shall provide Buyer's or lender's counsel with a certificate of compliance for said Order of Conditions prior to closing." – Liberty Law & Title, LLC

N. Condominiums (Governed by M.G.L.c. 183A)

(*def.*) Condominiums are comprised of separately owned units in a building or buildings which jointly own common areas. (*there are some condominiums that contain separate free-standing buildings)

Master Deed (*def.*) A condominium is created by recording with the registry of deeds of a master deed.

The Master Deed defines which part of the units are exclusive to said Unit and what is part of the shared "common areas." Units are typically defined as all of the interior space from the lower surface of finished ceilings, surface plaster of walls and the sub-floor in, while common area consists of the innards behind the

walls and buildings, the roof, most common HVAC/plumbing/heating systems, yards, and exterior of the home.

Declaration of Trust and By-Laws (def.) Declaration of Trust may also be referred to as the By-Laws. The declaration of trust creates the condominium trust association and a board of trustees which govern the condominium and its operations, including managing and/or establishing the Regulations & Budget.

6(d) Certificate – Mass. General Laws Ch. 183A, sec. 6(d) For any sale in Massachusetts a 6(d) certificate must issue whereby the condo trustees sign certificate stating that there are no outstanding condo fees attached to the Unit. Once this document is recorded at the Registry the Condominium Association is prevented from collecting any fees from the new owner that may have accrued prior to closing.

Condo Reserve Fund – This is a fund maintained/managed by the association that is established through condominium payments from the Unit Owners. This fund fluctuates as expenses required to maintain the condominium arise. There are times when an Association determines that an increase in the condo fees are necessary to meet anticipated “future” maintenance needs. Occasionally, an Association may also request a “special assessment” for significant pending capital improvement (e.g. replacement of a Roof)

Note: When a Unit owner is selling their condominium, it is critical to be proactive in assembling a package of any and all condominium documents (including recorded Master Deed, Declaration of Trust, Amendments, Budget and/or Bank Statements)

Tip: “When a Buyer will be financing the purchase of a Condo Unit and there is a Property Management company for the association, the Lender will need to disclose Fees, if any, associated with obtaining a completed Condo questionnaire, Budget, etc....the Lender requires upon Buyers application. With the new regulations, it is important that the Lender is given this information immediately as the disclosures will be sent out to the buyers within 3 business days of application. If the buyer’s original disclosures go out without the fees, the Lender will need to re-disclose the loan documents.). - Maria/Mary / Cambridge Mortgage Group

Title V (shared system) – According to Title 5, a shared system serves more than one facility or more than one dwelling on a single facility. Title 5 does not define a system serving condominium units on the same facility as a shared system. Condominium owners with a “common system” may share a leaching facility, and will either jointly or individually own and maintain the septic tanks. Title 5 allows shared and condo/common systems, although places on these systems more restrictions than on conventional systems.

III. Buyers Closing Costs and Responsibilities:

A. Real Estate Commission Usually the seller pays the commission, unless buyer and seller negotiate a split or agree to the buyer assuming the full amount.

B. Home Inspection costs – Typical range runs between 400 -450 dollars.

Tip: On occasion, there are major issues which cannot be known to the buyer, or perhaps even the seller, without the more in-depth investigation usually done by a home inspector or specialist, (e.g. extensive termite damage). There is a possibility that such an issue might require negotiating and/or repair. A cash settlement may be warranted so that work can be done to the satisfaction of the new owner. – Kevin Wallace Re/Max on the River

a. Lead Paint under Massachusetts and federal law, this notification package (*see link below*) must be given to prospective purchasers of homes built before 1978. This package must be given in full to meet state and federal requirements. It may be copied, as long as the type size is not made smaller. Every seller and any real estate agent involved in the sale must give this package before the signing of a purchase and sale agreement, a lease with an option to purchase, or, under state law, a memorandum of agreement used in foreclosure sales. Sellers and agents must also tell the prospective purchaser any information they know about lead in the home. They must also give a copy of any lead inspection report, risk assessment report, Letter of Compliance or Letter of Interim Control. This package is for compliance with both state and federal lead notification requirements. <http://www.mass.gov/eohhs/docs/dph/environmental/lead/property-transfer-note.pdf>

b. Radon –(def.)
chemically inert, radioactive gaseous element produced by the decay of radium : emissions produced by outgassing of rock, brick, etc. are a health hazard. – *Dictionary.com*
Acceptable levels: The US EPA has established the "action level" for deciding when you need to "do something" about the radon in your home, school, or work place is 4 pCi/l

Tip: "Recent protocol from the EPA for Radon testing requires that all windows and doors be closed, not just the basement. Also, doors and windows have to be closed at least 12 hours prior to starting the test. Some home inspectors do not seem to be aware of this. It makes things a lot easier if the seller is notified the day before the inspection to close all windows and doors 12 hours before the radon test; if not the inspector has to go back to the house the next day to start the test. " - John Wells, Wellsco

C. Bank Application Fee- The amount ranges lender to lender but is collected up front to cover the cost of the appraisal and credit report. Some lenders provide a copy of the appraisal and credit report to the borrower upon receipt.

Tip: "Things for a borrower to look for - I'd recommend that a borrower request confirmation from the lender when they lock in their rate and program. The confirmation should include the following: rate, points, closing costs, loan product and length of lock. In our business, "if it's too good to be true than it probably isn't true" when it comes to mortgage rates. It's always best to get things in writing." – William Palm/Mountain One Bank

D. Appraisal Fee – An appraisal is required by every conventional Lender. The costs vary depending on the property, complexity, amount of units, etc.

E. **Plot Plan** – (def.) Tape measure survey of the property (aka mortgage plan, survey plan)

F. **Financing Points** – addressed above.

G. **Fuel Adjustment** – addressed above.

H. **Buyers Attorney Fees** – A buyer may hire their one “individual” attorney outside of Lender’s counsel. Costs vary depending on the work involved.

I. **Title Insurance** – (def.) Title insurance is policy of insurance (technically an indemnification policy) protecting homeowners and lenders from actual financial loss in the event that certain covered problems develop regarding the rights to ownership of property. While Massachusetts closing attorneys search and certify each title to real estate before a closing, there are often hidden title defects that even the most careful title search will not reveal. In addition to protection from financial loss, title insurance pays the cost of against any covered claim. – *The Massachusetts Real Estate Law Blog*

Tips: A good title insurance story – Ron and I sold a piece of land that we owned that abutted a new subdivision that was being built by a developer. We told the buyer that the developer was not the most honest guy and that he claimed he owned the rights to the roadway that was being built adjacent to our property. We’d had an agreement with the previous owner to swap a portion of our land for frontage on the proposed roadway. This allowed him to re-engineer the roadway so that it would cost less money to build. An engineering plan was produced and accepted by the town reflecting that. Long story short – the buyers of the land that we sold purchased title insurance just in case. Sure enough, after they closed, the developer put a concrete barricade in the roadway to try to stop our buyers from accessing their land. The title company stepped in and paid for the legal proceedings to prove legal access and the buyers prevailed (plus they didn’t have to pay any legal fees). The developer was forced to remove the barricade and our buyers were able to proceed with the construction of their new home without interference and threats. So I am a firm believer in title insurance! – Sally Laffley / Laffley Real Estate Associates

1. **Flood Insurance**- (def.) A Standard Flood Insurance Policy is a single-peril (flood) policy that pays for direct physical damage to your insured property up to the replacement cost or Actual Cash Value (ACV) of the actual damages or the policy limit of liability, whichever is less. – FEMA

https://www.floodsmart.gov/floodsmart/pdfs/Summary_of_Coverage_English.pdf

In 1974, building guidelines were made to make sure buildings were built above base flood elevations. There were no guidelines before 1974 so homes built before that are not subject to the same requirements. If any major improvements are made to any building (50% or more of the value) it requires an elevation certificate. All brand new homes need elevation certificates. That means you will have to hire an engineer to determine the base flood elevation and the various heights of the home such as lowest floor elevation, lowest adjacent grade, highest adjacent grade etc. Basically if you have a basement it hurts you because it looks like your home is below ground (water rushes in and cannot flow out). If you are up on pilings, it will help you because water will wash under your house instead of through it. If you are up on pilings, the elevation certificate will literally show to the inch how much higher you are. Every inch above the base flood elevation reduces the cost of insurance.

Some tips for realtors.

- 1) Knowing that as of April 1, 2015 there is a new surcharge being applied to flood policies. \$25 for primary homes and \$250 for second homes. It is also \$250 for commercial buildings. Basically if it is not your primary home, you are being charged \$250 to insure it for flood. This tip might not really help a realtor, but it cannot hurt to know it.
- 2) Elevation certificates are done for the building itself, not for the owner. So if you are looking to list a house or help someone buy a house, request the owners copy of their elevation certificate if they have one.

It will speed up the quoting process. Otherwise the new buyer will need to hire an engineer to do an elevation cert before they can get a quote. This could save a buyer approx \$500-1000 depending upon what the elevation cert costs.

- 3) Often people only take out flood insurance on the building because the bank requires it. They don't take contents coverage. Homeowners should take out some contents coverage. If there contents is destroyed because of a flood, their home insurance will not cover them because flood is excluded.

-above information provided by Craig Childs / MacDonald & Pangione

2. Private Mortgage Insurance (PMI) Tax Escrow – *addressed above.*

3. **Homeowners Insurance** – Every conventional Lender will require a homeowner to obtain Homeowner's Insurance that covers the replacement cost for a single family and twenty percent of the sales price for condominiums.

Tip: The biggest pit fall is when a borrower waits too long to get their homeowners going. The binder with annual premium is required for underwriting as it helps determine final DTI (debt to income ratio).

People tend to wait until later in the process but sooner is better! – Bob Pezzella /Evolve Bank & Trust

J. Bank Attorney Fees (Title Search) – All conventional Lenders provide the Borrower with a Good Faith Estimate (GFE) of Attorney fees, title search, etc. associated with the purchase.

K. UFFI Certificate / Lender Requirements – *addressed above.*

L. Recording Fees – *addressed above.*

1. **Mortgage Deed** – (*def.*) is a document in which the mortgagor transfers an interest in real estate to a mortgagee for the purpose of providing a mortgage loan. The mortgage deed is the evidence of the interest transferred to the mortgage holder.
2. **Mortgage Note** – A mortgage note is a promissory note secured by a specified mortgage loan; it is a written promise to repay a specified sum of money plus interest at a specified rate and length of time to fulfill the promise.

M. Condo – *addressed above*

1. **Advance Condo Fee**- When a Unit owner is buying a condo that is being presented to market for the first time, there generally is a one or two month condo fee payment required of Buyer to be paid into a “*Reserve Fund*”.
2. **Condo Reserve Fund** (transfer or assign) – Under most standard purchase and sale agreements the contract provides for the transfer/assignment of any existing reserve funds attributed to the Unit as “included with” the Unit transfer. “There shall be no adjustment for the Seller's interest in working capital and other reserve funds of the organization of unit owners.” – *MARS Standard Condominium Purchase and Sale Agreement.*
3. **Master Insurance Policy** – (*def.*) This policy provides coverage for general liability, common area property, and several optional areas of risk as well. Individual unit owners also need a separate policy to cover their personal property, but a building master policy is required to cover shared risks. This master policy is not purchased by an individual, but by the condo association.

4. By-Laws & Rules and Regulations – *Addressed above.*

IV. Documents at Closing: *(List of common documents included in a Borrower's closing package)*

- A. Deed
- B. Mortgage Deed
- C. Mortgage Note
- D. Municipal Lien Certificate
- E. Attorney Certification of Title
- F. Real Estate Settlement Procedures Act (RESPA) / RESPA Settlement Statement
- G. UFFI Statement
- H. Plot Plan
- I. Insurance Policy / Binder
- J. Lead Paint Certification
- K. Smoke Detector / Carbon Monoxide Certificate
- L. Truth-In-Lending Disclosure
- M. Affidavit of Purchase & Vendor
- N. W-9's
- O. Application Form
- P. Commitment Letter

V. Settlement Statement: *(*included in handouts)*