

What happens At Mortgage Closing?

The “closing” is the last step in financing a home. The closing is the very reason you began the process of financing your dream home. It is the crowning moment of the homebuying journey. Closing is the time when you and all parties involved in the transaction sign the necessary documents.

There are three major parts in the closing process in the state of Massachusetts:

Part 1: Attorney review, inspections and credits.

1. If the seller and buyer agree on the price both parties sign a contract. There is a 72-hour attorney review process. Changes can be made to the contract during the attorney review period. Both parties must agree to the changes. During the attorney review process, either party is free to walk away from the deal.
2. Although in Massachusetts home inspections are not required by law, they are usually a contingency component of a real estate contract.
3. A “good faith deposit” is paid to either the real estate broker or attorney. You should never pay your deposit directly to the seller. The “good faith deposit” is rarely over \$5,000.
4. The buyer performs home inspection on the property. The inspections are done by a certain date as indicated in the contract. In Massachusetts, a licensed home inspector should inspect the home. There might be additional inspections such as lead paint inspection, termite inspection, asbestos inspection and [radon inspection](#).
5. Based on the inspection report, buyers may ask the seller for certain repairs, credits, or a reduction of the sale price. Sellers have three options: agree to make all of the repairs, make some of the repairs or refuse to make any of the requested repairs.

Part 2: The mortgage process.

For many people, the mortgage process can be the most stressful part of the homebuying journey. This is the typical mortgage process in Massachusetts.

1. The buyer completes the loan application with the credit union mortgage specialist.
2. Within 3 days the lender will provide you with a “Good Faith Estimate” or GFE. The GFE shows the details about the estimated closing costs, estimated interest rate, estimated monthly payment, etc. You can [view a sample GFE at hud.gov](#).
3. The buyer is required to provide the following financial documents and disclosures:
 - a. Bank statements
 - b. Investment account statements
 - c. Statements of outstanding lines of credit, loans or liabilities.
 - d. Two years of tax returns.

- e. Pay stubs to verify employment income.
 - f. Explanation of credit inquiries.
4. If the lender approves you for a loan, you will receive a loan commitment letter. This document describes that the lender is willing to fund the mortgage as long as certain conditions are met. One of these conditions is the appraisal. The lender has to confirm that the property appraises at the level of financing. The lender can decline to approve the borrower if the appraised value is lower than the loan amount.
 5. The buyer removes the loan contingency by a certain date specified in the contract.
 6. The homebuyer will purchase homeowner's insurance. Your lender will also require you to get title insurance.

Tip: This part of the mortgage process can be long, but it is a crucial part of the loan process. Try to prepare at least some of these documents in advance. Avoid changing jobs or changing your credit until the end of the closing process. Even if you are offered a higher paying job, don't change employers during the closing process.

Part 3: The closing.

This is the day you have been working toward for the past several weeks. The closing usually takes place at the office of an attorney or title company. During the closing, you will sign all required documents. The following steps that make up closing are:

1. A title search is completed before closing to determine if there are liens or assessments in the title. Some buyers ask for a title search before closing in order to uncover information regarding the property.
2. The buyer's attorney prepares the paperwork required for changing the title. The attorney will also prepare title insurance and schedule the final closing date.
3. The buyer will bring the cashier's check in the amount required by the lender to the closing.
4. A final walkthrough can be performed the day of or before the closing to verify the state of the property.
5. At the closing, the buyer (and seller) will sign all of the closing documents, including the HUD-1 ([view a sample HUD-1 here](#)).
6. The buyer pays the remaining funds for their down payment via cashier's check.
7. The title company or your attorney will record the transaction and deed with the appropriate municipality.
8. The buyer receives the keys to the property. This is the moment when you officially take possession of the property.

Congratulations! Time to move in!