

Congratulations! Now, sign here

Buying a house?
8 documents you
must understand

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Special to Newsday

The closing of the sale of a house caps off the buying process. After the final walk-through is completed, and the buyer is satisfied that any agreed-to repairs have been made and no new issues have arisen, the closing itself includes signing pages upon pages of documents. Most buyers and sellers don't actually read the piles of paperwork — though they should know what they're signing, Long Island real estate experts say.

Here's a guide to the most important closing documents and what they include.



ABOVE AND ON THE COVER During their house closing, buyers Jamal and his wife Tricia Mohamad signed papers at the Office of Mirabella and Franzi in Garden City last month.

1 CLOSING DISCLOSURE
This document from the bank is a breakdown of all the fees involved in the sale, including lenders' fees, attorneys' fees and real estate taxes, as well as transfer taxes and agents' commissions the seller is responsible for. The buyer and the seller get separate disclosures.

The document also shows what amount of cash the buyer is bringing to the closing. Mitchell Diamond, a real estate attorney with the Diamond Law Group in Massapequa Park, considers this one of the most important documents at a closing.

"The money you bring to the closing should match what is disclosed by the lender," Diamond says.

If a fee is not disclosed by the lender, the lender could have to pay that amount. For example, Diamond says he was handling a transaction in which the buyer was responsible for New York State transfer tax. This tax was not disclosed on the lender's disclosure, and at closing the lender issued a credit to the buyer for the transfer tax.

2 NOTE

Also known as a promissory note, this document shows what a buyer must repay the lender, including interest at a specific rate.

"Make sure the note the buyers are signing accurately reflects the terms with the bank, including the interest rate and how long the loan is for," says Neil Garfinkel, partner-in-charge of real estate and banking practices at Abrams Garfinkel Margolis Bergson in Manhattan, who also practices on Long Island. "If it's adjustable, what are the periods?"

3 MORTGAGE

This document allows the buyer to obtain the loan to purchase the property and allows the lender to repossess the home if the borrower defaults.

"This is the document that the lender records with the county clerk's office to publish to the world that they have a lien on your home," Diamond says.

4 FIRST PAYMENT LETTER

The lender has the borrower sign this document at closing to acknowledge when the first mortgage payment is due, Long Island attorneys say.

The letter lists the breakdown of what is included in each mortgage payment, such as the principal and interest, along with any escrow, which might include home insurance and property tax payments.

5 INITIAL ESCROW ACCOUNT DISCLOSURE STATEMENT

Buyers may put money in escrow to pay property taxes. This form notes the amount the buyer pays at closing to start the escrow account. It also breaks down how property taxes will be paid each month and when certain taxes are due.

Rich Pisnoy, a mortgage broker at Silver Fin Capital in Great Neck, recommends making sure that if you're escrowing property taxes, you have the proper amounts in place to avoid surprises.

6 DEED

This document transfers the ownership of the property from the seller to the buyer. This is a buyer's proof of ownership, so they should make sure all spellings and the address are correct.

If purchasing of a co-op apartment, the stock certificate and proprietary lease replace the deed, Garfinkel says. The seller's attorney has to bring the stock and lease to the closing, and he says he has seen cases where the attorney did not and the closing was delayed.

When there is a mortgage, the bank takes possession of the stock and lease, but if the purchase is all cash, the buyer

must take the document. Garfinkel advises cash buyers to put the documents in a safe place as they are evidence of ownership.

7 TITLE INSURANCE POLICY

Title insurance protects a home buyer from a financial loss related to the ownership of a property, such as past liens on the property or issues with the title. While a title company will do research on this, title insurance protects the buyer from anything that arises that may not have come up during an initial title search.

Securing title insurance involves the seller signing a "multiple exception affidavit" — this states that the sellers are the actual owners and has no judgments or liens against them, says Dina Martin, an account executive with the Ensignia Premier Title Agency in East Northport.

The buyer signs a purchaser's affidavit stating that the buyer has no federal tax claims, liens or bankruptcies against them and that they have not been known by any other name for the past 10 years.

8 HOMEOWNER'S INSURANCE POLICY

Buyers need to make sure an insurance policy is in place before moving into their new home.

"You really want to make sure that the homeowner's insurance is in place to make sure you're protected in case something happens in between walking out of the closing and into your property," Garfinkel says.

Garfinkel notes this is important even if you're buying a condo or co-op.

In general, know what you're signing, and ask questions.

Garfinkel says that buyers and sellers should not be afraid to tell their attorney if they don't understand something.

"I don't leave a closing without making sure my client understands everything in the closing disclosure," he says.

When terms are misunderstood it can cause issues down the line for a buyer. "One story that comes to my mind is a buyer that was put in a Federal Housing Administration loan but was not told that the monthly private mortgage insurance would stay on the loan payment for the life of the loan," Diamond says. "The borrower was upset as they thought that the PMI would fall off once they reached 80 percent loan to value, meaning once they had 20 percent equity in the home."

		Owner's Policy ISSUED BY First American POLICY NUMBER [REDACTED]
Owner's Policy		
Any notice of claim and any other notice or statement in writing required to be filed with the Company at the address shown in Section 18 of the Conditions.		
COVERED RISKS		
SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE AND THE LIMITATIONS OF COVERAGE, FIRST AMERICAN TITLE INSURANCE COMPANY, a Nebraska corporation, shall insure the Title of the property described in the policy for the extent stated in Covered Risks 9 and 10, after Date of Policy, against loss or damage incurred by the Insured by reason of:		
<ol style="list-style-type: none"> Title being vested other than as stated in Schedule A. Any defect in or lien or encumbrance on the Title. This Covered Risk includes but is not limited to: <ol style="list-style-type: none"> A defect in the Title caused by <ol style="list-style-type: none"> forgery, fraud, undue influence, duress, incompetency, incapacity, or insanity failure of any person or Entity to have authorized a transfer or conveyance of the Title a document affecting Title not properly created, executed, witnessed, or acknowledged failure to perform those acts necessary to create a valid Title a document executed under a falsified signature a document not properly recorded 		
DECLARATIONS We will provide the insurance described in this policy in return for the premium and compliance with all applicable provisions of this policy.		Coverage affidavit
Policy Number [REDACTED]		Auto is subject to rental rules per your policy
Named Insured and Mailing Address [REDACTED]		Effective Date 12 months - Policy Period Expiration of Policy Period
Liability - Section 1 [REDACTED]		[REDACTED]