

First-Time Home Buyers Frequently Asked Questions

Q: *When should I meet with a lender to see if I qualify for a mortgage?*

A: You should meet with a lender before you are ready to get serious about your home search. Ideally, you want to have a mortgage preapproval, which requires an actual application with the lender. A preapproval can market you as a stronger buyer, which could be used to help strengthen your offer in the eyes of a seller. Sellers will often look for a preapproval letter to see that you are a serious buyer capable of taking the next steps and obtaining the necessary financing.

Q: *Who are some of the professionals I will need to help me through the process?*

A: You will need a real estate agent that you feel comfortable with, a knowledgeable loan officer or mortgage broker to work with your individual financial situation, an inspector that you trust to conduct a thorough home inspection, and an attorney.

Q: *What is included in an Offer to Purchase?*

A: Your real estate agent or your attorney will help you fill out the Offer to Purchase. The Offer will include the purchase price and the amounts of any deposits. The Offer will also include important dates and deadlines such as a deadline for inspections, a date by which a Purchase and Sale Agreement must be negotiated and signed, a deadline for obtaining a mortgage commitment for financing, and the closing date. The Offer will list items to be included in the purchase, including any fixtures, appliances or furnishings. The Offer should also list any specific contingencies you may want included, for example any obvious repair items or requiring that the property appraise at a certain amount.

Q: *How long will the process take once my offer is accepted?*

A: Generally, the process will take between four to eight weeks from the time that your offer is accepted until the date of closing. However, many factors can affect this timeline including the seller's personal timeline, possible inspection and negotiation issues, title defects that take time to resolve, and financing delays.

Q: *What is the role of the attorney in a Massachusetts real estate transaction?*

A: Massachusetts law requires that an attorney presides over a residential real estate closing. A buyer's attorney usually steps in after an Offer has been accepted. The attorney works with the seller's attorney to draft and negotiate a Purchase and Sale Agreement and any Addendums, including a Repair

Addendum, in the buyer's best interest. The lender will also have an attorney. Oftentimes, the buyer's attorney can and will also serve as the lender's attorney. The attorney reviews title to the home to determine that there are no title defects, and to resolve title defects if there are any, in order to assure that you will be receiving good title to the home. If the home is a condominium, the attorney will also review the condominium documents and budget. Your attorney works with the seller's attorney to make sure that you receive everything that will be needed at closing, including the deed to the property. The lender's attorney prepares the settlement statement, conducts the closing, ensures that title is clear and all documents are properly recorded at the Registry of Deeds, and disburses any funds and proceeds.

Q: *What additional costs might I see at closing?*

A: There will be costs associated with the loan from your lender including the costs of the appraisal, credit report, lender's fees, underwriting fees and prepaid interest. You will be asked to prepay a full year of hazard insurance and provide evidence of such insurance with an insurance binder prior to closing. The lender usually requires a couple of months of escrow for taxes and/or insurance to be escrowed. If your closing falls within sixty days of the next real estate tax bill being due, you will be asked to prepay that amount in full. There will be recording fees for documents that must be recorded at the Registry of Deeds, such as the Mortgage. There will be attorney's fees and third party fees such as the cost for a title examination, Municipal Lien Certificate from the town in which the home is located, and a survey showing the location of structures on the property and whether the property is located in a flood zone requiring flood insurance. You will see a onetime premium fee for the Lender's Title Insurance Policy and for your own Owner's Title Insurance Policy if you so choose.

Q: *Do I need an Owner's Title Insurance Policy?*

A: The lender will require that you obtain a Lender's Title Insurance Policy by paying a onetime premium fee at closing. However, this policy will only protect the lender's interests in the property and therefore it is still recommended that you obtain an Owner's Title Insurance Policy to protect your interests. A Title Insurance Policy protects you from issues that may later arise due to unknown or latent title defects. Although a title examination will be completed prior to closing to discover any title defects, title examinations will only discover matters of public record. A Title Insurance Policy protects you from a loss or encumbrance that may arise, for example, from a forged deed, invalid power of attorney, mistakes in legal documents, fraud, misdocketing of

instruments, or inheritance or probate issues. Title insurance may enable you to sell the property in certain instances where a title defect is later discovered that would otherwise hinder the sale. Title insurance would pay for defending a lawsuit attacking your title, and the insurer will either clear up the title issues or pay the loss.

Q: What will happen on the day of closing?

A: The closing attorney will prepare a HUD-1 Settlement Statement listing the purchase price, deposits, closing costs, any adjustments, and the money that you owe. The seller will provide a Deed granting the property to you and may be required to sign any documents required by your lender or the closing attorney. You will sign the lender's closing package, including a Promissory Note, Mortgage and a significant number of other documents and disclosures. The Deed, Mortgage and any other required documents, such as a Municipal Lien Certificate, will be recorded at the Registry of Deeds. Once the documents are recorded, you will receive the keys to the home!

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