

Definitions for Closing Documents

***Note** – A unilateral agreement containing an express and absolute promise of the signer to pay a named person, order, or bearer a definite sum of money at a specified date or on demand. The Note usually provides for interest and concerning real property, is secured by a mortgage or trust deed. **Must be notarized.**

***Deed of Trust** - An instrument used in many states in place of a mortgage. Property is transferred to a trustee by the borrower (trustor), in favor of the lender (beneficiary), and reconveyed upon payment in full. **Must be notarized.**

Truth in Lending – Also referred to as Regulation Z, it is part of the Consumer Credit Protection Act. The Truth in Lending is part federal legislation designed to protect borrowers by requiring lenders to furnish information regarding the cost of the loan. The law requires interest to be expressed at the annual percentage rates (APR), to the nearest 1/8 of one percent. The APR must include changes such as loan fees, discount points, servicing fees, etc., as well as interest. The law applies to 1 – 4 family residential property and consumer loans.

Trustee's Affidavit – This affidavit is used to reaffirm that the trustee(s) of a referenced trust have the power to buy, sell, lease, refinance etc., the property that is within the trust and is part of the trust agreement.

HUD 1 Settlement Statement – This document lists line by line the expenses, i.e.: Settlement Charges, escrows, title charges, government recording and transfer charges, disbursements, and net settlement figures within the loan closing process.

Notice of Right to Cancel – This is a notice that you are entering into a new transaction to increase the amount of credit previously provided to you and to inform you that you are using your home as security for this new transaction. This form gives notice, instruction and dates by which a member may cancel the loan within a 72-hour period of the loan transaction.

Mortgage or Fixed Equity Loan Automatic Payment Authorization – This document is purely voluntary for the member who would like their monthly mortgage payment taken directly from a Navy Federal Credit Union account.

Real Estate Tax Authorization – This is an authorization form that allows First American Real Estate Tax Service, Inc. to collect and disburse taxes due on the member's property as part of their monthly mortgage payment.

Escrow Account Withdrawal Authorization – This authorization form allows Navy Federal Credit Union to maintain an escrow account for the member and gives notification information pertaining to changes in the escrow account.

Initial Escrow Account Disclosure Statement – This disclosure contains a table with information as to the date of escrow payment, amount of payment, and when the County Property Taxes and Hazard Insurance are due and payable from the escrow account.

Uniform Residential Loan Application – This document is the application the member uses to disclose to the loan underwriting department all pertinent information for determination of qualification for a new loan.

Mortgage Loan Approval – This is the loan commitment which contains the specific loan information concerning type, interest rate, terms, and points. This form also includes any conditions that need to be met in order to obtain the loan.

First Payment Letter – This letter is to the member from the loan processor (MPC) at Navy Federal Credit Union and includes all the information regarding the first and all of the subsequent payments on the loan, due dates and the address where the payments should be sent.

Tax and Insurance Information Sheet – This document is used to set-up the loan for servicing.

Request to Close Revolving Credit Loan/ Equity Line – This is the authorization signed by the member to close out an open ended credit line on the subject property.

Servicing Set Up Information – This document is used by Navy Federal Credit Union to set up loan servicing.

***Owner's Affidavit** – In Maryland, Prince George's County needs a refinance affidavit and Certificate of Principal Residence if applicable. In Washington DC, if tax form FPC7 is not filled out, the loan cannot be recorded. There is a \$250.00 fee for mortgages that are not recorded within 30 days. Also, Washington DC requires Class I & II Security Affidavits. There is an affidavit for Virginia closings, but it may be waived and the loan may be recorded without it. **Must be notarized.**

****Occasionally there are additional documents added to the closing package. These need to be watched for in the instance that it must be signed, notarized, or both.**