

**Deed:** this is the legal document which transfers the property from the seller to you. You should review it carefully at settlement to make sure that your name (or names) are spelled correctly, and that the legal description is correct. If you are taking title with another person (a spouse or a friend) make sure that the status of title is the way you want it. If you are in doubt as to how title should be structured, discuss the matter with your legal advisor before you go to settlement.

**Promissory Note:** Assuming that you are not paying all cash for your new house, you will be getting a loan from someone. It could be from family or from a mortgage lender. Either way, you will have to sign a promissory note. This is, in effect, an "IOU". You promise to pay your lender the full amount, payable in equal monthly installments, at the interest rate previously agreed upon. This is an extremely important document; you must review it carefully before it is signed. Your lender will keep the original until you completely pay off the loan. But you must get a copy of the note at settlement (or shortly thereafter).

**Deed of Trust:** This is the mortgage document. As you stated in your question, it is recorded among the land records, and your lender will keep the original. When you pay off the loan, the lender will return it with the promissory note. This document is rather lengthy -- and quite legalistic. Make sure that the person conducting the settlement fully explains all of the ramifications and conditions contained in this document. Basically, so long as you make your monthly payments on a timely basis, you should have nothing to worry about. But once you are in default (a term which is defined in both the note and the trust) then many of the provisions of that deed of trust become operative -- such as the right of the lender to ultimately foreclose on your property.

It should also be noted that you cannot deduct any mortgage interest for tax purposes unless your property is secured by a deed of trust. That means that the deed of trust must be recorded in land records.

**Settlement Statement:** After Congress enacted the Real Estate Settlement Procedures Act (RESPA) several years ago, the [Department of Housing and Urban Development](#) (HUD) promulgated a uniform settlement statement. It is now commonly referred to as the HUD-1. This document contains the financial picture relating to the sale -- and the purchase -- of the property. It lists the lender's charges, the title company's fees, and the governmental recording fees. Next to the promissory note, it is my opinion that this is perhaps the second most important document. You should review it very carefully -- item by item. You should also keep this document for as long as you own the property. It will be useful for income tax purposes next year when you file your income tax return, and it may also be useful when you sell the house. Many of the items on the HUD-1 (such as recording and transfer taxes) can be used to reduce any profit you have made when you sell.

If you have any further questions, please contact:

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