

The Closing Process

From Pre to Post



PATTEN LAW FIRM

A CLOSING OFFICE FOR TEXAS AMERICAN TITLE COMPANY

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Pre-Closing

Prior to closing there are several tasks that must be taken care of. If you are using the services of a realtor/real estate agent, many of these tasks can be arranged by your agent. Be prepared to have enough money set aside to cover these expenses.

Property Appraisal

An appraiser will view the property and also look up the price of homes comparable to the home you want to purchase. This is done to determine the fair market price for the home.

Property Survey

A surveyor will verify the property lines for the home being purchased.

Homeowner's/Hazard Insurance

Obtain homeowner's/hazard insurance. Lenders often require proof of payment of the first year's premium at closing. Hazard insurance offers protection for you and the lender against loss due to fire, windstorm, and natural hazards. This coverage may be included in a homeowner's policy that insures against additional risks which may include personal liability and theft.

Home Inspection

A home inspector will determine the structural and mechanical integrity of the home. Examples of structural items to be inspected include the foundation, walls, roof, floors, windows and doors. Mechanical items to be inspected include heating, ventilating and air conditioning (HVAC), plumbing and electrical fixtures, appliances and other items that may convey.

Title Search

The Law Offices of Patten and Karlseng will check that there are no outstanding liens against the property or other potential claims against the property.

Termite Inspection (Optional)

An exterminator will inspect the home for evidence of infestation and/or damage by termites.

Final Walkthrough Inspection

It is important that you complete a final inspection of the house, known as the walkthrough, within 24 hours before your closing. This is your final chance to check for any additional

problems or repairs, to make sure that agreed upon repairs have been completed, and to check that the house is in the condition you expected. You should check that all items conveying with the house are present and have been left in acceptable condition. If not all of the requirements are met by the official closing date some of the seller's funds can be held in an escrow account until the required actions are completed.

Certified Check to Cover Closing Costs

A few days before closing you will be told what your final closing costs will be. You must have enough money to pay these costs on the day of closing. Usually a certified check is required for payment rather than a personal check.

Closing Participants

Several people may be at the closing representing the buyer, seller, and lender.

Homebuyer

Becomes the new owner of the home once the required payments and closing transactions are completed.

Seller

Transfers the house to the homebuyer.

Real Estate Agent

Helps the homebuyer understand all the documentation to ensure that the contract stipulations are correct and that the closing process goes smoothly.

Attorney

You may use a real estate attorney to handle the closing transaction to protect your rights as a buyer and to identify any loopholes with the legalities of the contract. In some states, the escrow/closing officer will perform the function of the real estate attorney.

Escrow/Closing Officer

The escrow/closing officer is a neutral third party who helps both the buyer and seller, ensuring that all documents, inspections, and funds required to

close the transaction are completed and received by the appropriate party.

Law Offices of Patten & Karlseng

Performs title search for the property. In some cases, the title company can coordinate the closing transactions.

Lender

Provides the loan package for the buyer.

Servicer

Organization (usually a lender) that collects your monthly mortgage payments and services your loan.

During Your Closing

Closing day is the day the homebuyer and the seller complete the legal transfer of the house. Once the closing process has been completed, the keys to the house are given to the buyer.

Present Homeowner's Insurance Receipt

The buyer gives the lender a receipt to prove that homeowner's insurance has been obtained for the property.

Review HUD

1 Settlement Statement - The closing agent will review the HUD-1 settlement statement with the buyer and seller to verify that the agreed upon dollar amounts have been entered and, if so, have the buyer and seller sign the form.

Present Closing Costs Check

The buyer and the seller give the closing agent certified checks to cover the closing costs.

Review All Other Documents

The closing agent will have the buyer and seller review and, if correct, sign all remaining documents that are part of the closing process.

Establish an Escrow Account

The closing agent will establish an escrow account for the buyer to cover property tax, homeowner's insurance, interim interest, and possibly private mortgage insurance.

Execute Mortgage Documents

The buyer reviews and signs all of the documents required by the lender, the most important of which are the note and security instrument (either a mortgage or a deed of trust).

Present Mortgage Check

The lender gives the closing agent a check to cover the mortgage amount.

Receive Title to the Property

A warranty deed is given to the buyer, signed by the seller.

Receive Keys to the Property (after funding)

At the conclusion of the closing process the buyer will receive the keys to the home. These keys should be temporary — it is common practice to replace all the locks on the home to prevent anyone with duplicate keys from entering the home. The seller may also provide the buyer with documents such as instructions and warranties for appliances and other major components that are part of the home.

Record Legal Documents

The recording process is the final step in the closing process. The escrow/closing company, attorney, or title company that handles your transaction will complete the recording. The process officially records certain documents such as the warranty deed and the security instrument.

Documents

Documents expected to sign at closing may include, but not be limited to the following:

Buyer

- HUD1 Settlement Statement
- Compliance Agreement
- Mortgage Note
- Truth In Lending
- Survey Affidavit or New Survey
- Final Good Faith Estimate
- Interest Statement
- Notice of Right to Cancel
- Name Affidavits
- Occupancy Affidavit
- Various IRS forms
- Completed 1003-Loan Application
- Flood Insurance Notice

Seller

- HUD1 Settlement Statement
- Compliance Agreement
- Conveyance Deed
- Seller's Affidavit
- Gas and/or Pest Inspections
- Home Warranty
- Payoff Authorizations
- Name Affidavits