

Step 12: Close On The House

A day or two before closing, you should contact your escrow officer to get final verification on total closing costs and the amount of cash you must bring to the close. Since you will probably be contributing the balance of your down payment, don't forget that any cash you bring must be in the form of a cashier's check.

There should be no surprises on closing day if you have paid attention to the escrow process. Closings can be 30 minutes or an entire day depending on whether or not everyone did his homework ahead of time. Officially, on closing day the seller gives up title, the buyer pays for title, and the seller delivers a **deed** or "bill of sale". The deed should not be delivered until the seller is sure that all terms of the contract have been met.

If you are working with an agent, the agent will tell you who and what to bring. Otherwise, your previous contact with your escrow officer will ensure that you bring the correct items to the close. At the close, you might meet the escrow agent, real estate agent, your attorney, possibly the seller's attorney, and a lender representative.

A closing is comprised of three parts:

- Review and signature of your loan documentation
- An exchange of documentation among you, the seller, and the escrow agent
- The transfer of funds

You will see or hear about any of these items at an "around the table" close:

- purchase contract as amended with notations that all contingencies have been satisfied
- escrow instructions indicating that all steps have been properly completed
- title transfer documentation (certificate of title; deed; title correction documentation, if any; property survey; title insurance binder or policy)
- your new mortgage-documented evidence of an agreement between you and the lender stating an amount of money has been borrowed at a certain interest rate and will be repaid
- promissory note-a document accompanying your mortgage which states that you promise to repay the loan over a certain period of time
- loan disclosures-documentation the lender provides in order to comply with Federal truth-in-lending laws
- lien waiver-a document you and the seller sign for your lender's benefit which states that neither you nor the seller have contracted for any goods or services for which a lien would be recorded on the property
- your new homeowner's insurance policy
- calculations for prorations of insurance, property taxes, assumed loan interest, and utilities as appropriate
- settlement statement-the official accounting of how funds have been collected and disbursed; this is also called a closing statement or RESPA (Real Estate Settlement Procedures Act) Form
- loan assumption statement-if you are assuming the seller's loan, appropriate documentation indicating the terms of assumption
- seller's mortgage payoff balance letter
- written evidence that the seller's loan has been satisfied and that the mortgage satisfaction has been recorded



- all keys, combinations, alarm codes, and remote controls needed for access to the house

You and the sellers will spend several minutes signing papers to transfer ownership. Your attorney or representative should be advising you as to what you are signing. Read all documentation before you sign it. Keep copies of documents as appropriate, especially your settlement statement. You will use it to calculate your tax basis; it will be useful in the future if and when you sell the property.

Once again, check your settlement statement to ensure it is correct. It is the equivalent of a check register. Credits are for money you receive. Debits are for things you pay. The purchase price represents the biggest debit. Pro-rated taxes represent another debit you might see on the statement.

Last minute situations arise, and your closing may not go as smoothly as you had hoped. Things that could go wrong:

- The loan package is missing or incomplete
- The loan money isn't where it is supposed to be
- A key person is missing
- Documentation is incorrect
- The lender makes last minute requests for information
- You must iron out title problems
- You must work out problems found during the buyer walk-through
- Major home damage occurs from fire, flood, earthquake, or vandalism
- The seller's home purchase fell through and s/he can't move out

Work with your representatives to solve these problems. If the house no longer exists, it doesn't make much sense in closing on the property as is, but you may choose to work out alternative solutions. Do the work ahead of time to minimize last minute problems, but be prepared for the fact that things do happen and you will have to "roll with it."

Once you receive the keys and possession day arrives, you can officially congratulate yourself. You bought a house!

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