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#### **Step 14: Accept the Offer**

Obtaining and ratifying the offer is the hard part about selling a home, but the tedious part is still to be accomplished. Many events must take place between the time you accept an offer and give up possession of the house. Any time lag or missed deadline can derail your sale and require you to start from the beginning. Therefore, it pays to remain aware of how the process unfolds to make sure everything happens in an orderly fashion.

Sellers must be responsible for being active in the home selling process even after the offer is accepted. There are a series of activities that must take place (inspections, walkthroughs, appraisals, etc.) in which the seller will be involved whether or not there is an agent overseeing the process.

The order of operations is generally as follows:

- Escrow is opened. The buyer's deposit is deposited in an escrow account, and an escrow officer is appointed to shepherd the process. The escrow officer works with representatives of the buyer, seller, and lender to ensure that appropriate paperwork is completed, your loan is properly discharged, a title search is performed, and new ownership is properly recorded in the city or county records.
- The buyer qualifies and obtains financing. In order for this to occur, the buyer must be approved for a loan and the house must be appraised. The appraisal must substantiate the purchase price. A lender can approve a conventional first loan for up to 95% of the value of the house depending on the creditworthiness of the buyer. If the purchase price is too high, the buyer may not be able to obtain a large enough loan. If the buyer cannot obtain supplementary financing, the purchase will not occur.
- Educated buyers may require an inspection with satisfactory results to be performed. The home should be inspected by an inspector of the buyer's choosing. Typically an inspector will review the property and indicate repairs that must be made. You and the buyer should agree on who will be responsible for the repairs. If the repairs are significant, you will either have to reduce the price or provide a repair credit at closing, otherwise, the buyer could cancel the purchase. Keep in mind that a lender may also require repairs before approving the buyers' loan.
- Once all paperwork is completed, a closing meeting takes place where buyers and sellers sign a multitude of paperwork paying off loans, issuing new loans, and transferring ownership. In an "around the table" close, the buyer, seller, agent, attorneys, lender representative, and escrow agent are present to oversee the transfer. In an escrow close, the buyer and seller never meet; the escrow agent is the document traffic controller who delivers documentation to all, requests signed documentation back, and properly records all appropriate liens and discharges.



## Escrow

If you are working with an agent, the agent will typically handle all the closing details. Other than asking for signatures or other general questions, the agent controls the process, notifies you when and where to appear for the closing, and lets you go on with your life. Some agents are more attentive to the details and keep you better informed than others.

If you are selling the house by yourself, you will have to take a little more ownership of the closing process. Your attorney should advise you as to what your responsibilities are. Generally, someone must **establish escrow**, or choose the escrow agent. You might consider doing this when you list your house so that you can immediately deposit any funds you receive when an offer is made. Or, it is the custom in many places to allow the buyer to choose the escrow agent. Escrow agents, who may be an attorney, escrow firm, title company, or bank, are expected to be neutral third parties, therefore, it should not really make that much difference who picks the firm. Escrow agents are intended to be fiduciary referees. They cannot offer advice, conduct negotiations, or reveal any details of the transaction to outside parties.

There is no precise method of choosing an escrow agent. If you can't get one by referral, use the telephone book and ask for price quotes. If you want to use your lender and it provides escrow services, go ahead. Experts say banks can be a good source if you have had good data processing experiences with them before. However, if you have not, don't use a bank for an escrow agent. Choose an agent who performs escrow services regularly; don't choose an attorney who has performed escrow services once or twice before.

Escrow fees range from a few hundred to a few thousand depending on the locale. Typically it is a small percentage of the asking price. Buyers and sellers generally split the escrow cost, but it is a negotiable item.

You should ask the escrow agent for a **preliminary closing statement** early in the process. This is an estimated accounting of all known closing costs at the date of close. It will not be perfect, however, it should give you a general idea of the costs that will be involved. Review it for reasonableness.

Escrow agents perform all of the following:

- accept documents
- prepare documents
- issue documents for signature
- retrieve documents after signature
- manage title search process
- document seller loan payoff
- originate new buyer mortgage
- investigate title defects
- order property survey

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