

# POST-CONTRACT PITFALLS

Selling a home is like climbing Mount Everest – getting a signed contract is a great accomplishment, but that's only half the journey. The typical home sale today involves more than 20 steps after the initial contract is accepted to complete the transaction.

Much of what needs to be done before the closing is the responsibility of appraisers, loan processors, attorneys, and inspectors — the REALTOR®'s role is to coordinate those responsibilities, helping to ensure that others do their jobs promptly and correctly and that the closing isn't jeopardized.

Many steps between contract ratification and closing involve the cooperation of both buyer and seller, and attentive REALTORS® on both sides of the transaction will troubleshoot and keep everyone on track.

## Home Selling from A to C (Acceptance to Closing)

Home Sellers	Home Buyers
<p><b>1. Select an escrow agent.</b> One of the parties selects an escrow agent. The escrow agent will collect the necessary documentation from each side and will conduct the closing.</p>	<p><b>1. Deposit earnest money funds.</b> Earnest money funds are deposited according to instructions, which include who will hold the deposit, whether interest is to be accrued, and conditions of release. These funds are applied to the down payment at closing.</p>
<p><b>2. Assemble condo or home owners association (HOA) documents.</b> Sellers who live in condos or in a neighborhood subject to an HOA must provide financial statements and recent reports to the buyer for review.</p>	<p><b>2. Make the final loan application.</b> If interest rates are falling and more home owners are refinancing, additional time may be needed to obtain a mortgage commitment. If the property is being financed with a VA, FHA, or other government-backed loan, it will be necessary to obtain copies of correctly filed building permits for all remodeling or additions done since the original construction. Decisions about locking in interest rates can be made at any time after a contract is ratified.</p>
<p><b>3. Order a preliminary title report.</b> A title search examines all public records to determine any defects in the chain of title; in other words, to confirm that the seller actually owns the property and has the right to transfer ownership.</p>	<p><b>3. Order the home appraisal.</b> Lenders require an appraisal before committing to a loan. Appraisers compare the features and condition of a home to similar properties to arrive at a dollar figure for its value.</p>
<p><b>4. Request a satisfaction letter from present lender.</b> Total amount due on any existing mortgages must be provided in advance of settlement.</p>	<p><b>4. Arrange the property survey.</b> A survey determines the boundaries of the property, its location, and the size and shape of any buildings on the lot. The survey also identifies any existing easements or encroachments.</p>
<p><b>5. Coordinate home appraisal and inspections.</b> Arrangements for access to the property must be made for the lender's appraisal and any inspections as specified in the contract.</p>	<p><b>5. Order inspections.</b> Inspections may include those for home condition, radon, lead, earthquake, and termite infestations. Inspections should be ordered as soon as the contract is ratified so there is time to remedy any problems or renegotiate terms. REALTORS® have established relationships with inspectors and contractors to help ensure that their transactions get priority in busy times.</p>
<p><b>6. Arrange final utility readings and payments.</b> When bills are prepaid, payments will be prorated at settlement between buyer and seller.</p>	<p><b>6. Verify employment and financial information.</b> Lenders will require buyers to verify employment and financials before committing to the loan to ensure</p>

	that there have not been significant changes since the process began.
<b>7. Obtain home warranty policy (if applicable).</b> If a seller has offered a home warranty policy, he or she must obtain this policy before closing.	<b>7. Purchase homeowners' and hazard insurance.</b> Homeowners' and hazard insurance is required by lenders; in some areas, flood insurance is also required.
<b>8. Complete repairs.</b> If the sellers have agreed to make repairs as a result of a home inspection, these must be completed. If repairs require a building permit, sellers must apply for one as soon as possible, because this could delay closing.	<b>8. Obtain title insurance.</b> Title insurance can help ensure that title defects will not make a property unsaleable in the future because of: <ul style="list-style-type: none"> <li>• Forged documents</li> <li>• Undisclosed heirs to the property</li> <li>• Mistaken legal interpretations of wills or trusts</li> <li>• Misfiled documents — deeds, liens, mortgage satisfaction documents</li> <li>• Confusion caused by similarities in names</li> <li>• Incorrect marital status</li> <li>• Mental incompetence</li> </ul>
<b>9. Have an attorney prepare the deed.</b> The deed is the document by which the owner transfers title to the property.	<b>9. Secure a loan commitment.</b> Lender notifies escrow agent of commitment and confirms settlement date.
<b>10. Arrange for payment of transfer taxes.</b> Most states require a tax on transfer of property. This expense is most often the responsibility of the seller. Cities and local municipalities may also charge transfer taxes.	<b>10. Transfer utility accounts.</b> Utilities should be transferred into the buyers' names as of the date of settlement.
	<b>11. Complete the final walkthrough.</b> Buyers walk through the property with their REALTOR® shortly before closing to ensure that the property is being delivered in the condition agreed to in the contract.

### **Time Estimates for Delays**

When things go wrong, closing can easily fall behind. Here's how much time to expect on particular delays:

#### One-Week Delays

- Buyer submits incorrect information to lender.
- Source of downpayment changes.
- Escrow fails to notify parties about missing documents.
- Principals leave town without signing all necessary papers.
- Unknown defects are discovered in the property.
- Last-minute liens discovered.
- Cloud on title.
- Move-out date changes.

#### Two-Week Delays

- Lender decides at the last minute it doesn't approve of the borrower or the property.
- Lender raises interest rates.

- Lender requires last minute reappraisal or repairs.
- Appraisal too low.

REALTORS® have extensive experience in handling problems that may arise during the time between contract and closing; they can anticipate difficulties and address them in time to ensure a smooth settlement for all involved.

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