

Close

It might seem as though once a sale agreement has been signed that the selling process is complete. Not only is it not over yet, but some of the most complex aspects of a real estate transaction now begin.

A sale agreement sets not only a purchase price for the home, but also a series of terms and conditions. For instance:

* Contracts routinely depend on the ability of a buyer to obtain financing, which is why most sellers prefer buyers with preapproval letters from lenders.

* A growing percentage of transactions involve a home inspection, or a physical review of the home by a trained and independent observer.

* Lenders will establish numerous conditions before granting a loan. They will want a title exam, title insurance to protect against title errors, termite inspections, surveys and an appraisal to assure that the home has sufficient value to secure the loan.

The REALTOR® typically arranges required inspections and helps the owner prepare for closing.

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When should you close?

With automation now available, closings can occur within a week in some areas -- at least in theory. In practice, it takes time to arrange financing, conduct inspections, obtain appraisals, locate replacement housing, contact movers, pack and actually move.

While instant closings are not practical, neither are closings too far in the future. The problem with closings much past 60 days is that loan rates are difficult to lock in. If mortgage rates go up, it's possible that the buyer will no longer be able to afford the home and thus the deal may fall through.

The result of these considerations is that most homes close 30 to 45 days after a sale agreement has been signed.

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What happens?

Closing -- or "settlement" or "escrow" as it is known in some areas -- is essentially a meeting where the closing agent (the party who conducts settlement) takes in money from the buyers, pays out money to the owner and makes sure that the purchaser's title is properly recorded in local records along with any mortgage liens.

The closing agent reviews the sale agreement to determine what payments and credits the owner should receive and what amounts are due from the buyer. The closing agent also assures that certain transaction costs are paid (taxes and title searches).

Closing is also the time when "adjustments" will be made. For instance, suppose you've pre-paid taxes four months in advance. In this case, the closing agent will compensate you for the prepayment at closing by having the buyer pay you additional money.

It could also work in reverse. If you are behind on property taxes, the closing agent will reduce the money due to you at settlement by the amount of the unpaid taxes.

- * It pays to have an Attorney at Settlement
- * Who represents you?
- * Closing Checklist
- * Closing Cost Checklist

How do you prepare to sell?

It's important to look at the sale agreement and review your obligations. For instance, if you have agreed to paint a room or replace the dishwasher, such work must be completed before closing. Your REALTOR® can discuss your agreement and the steps which must be taken to complete the transaction.

The closing agent will handle both the settlement papers and related documents.

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