

## **Ten important questions about closing**

By Erin K. Witt

In many ways, closing is the long-awaited finish line of a consumer's home search. Unfortunately, it is often the most stressful event standing between buyers and their dream home.

However, a thorough understanding of the closing and escrow process can make the experience more positive for all parties involved. Here are a few important questions to consider before taking the final plunge.

**Question #1: What exactly is closing?** Closing—called "settlement" or "escrow" in many parts of the country—occurs when an impartial third party transfers ownership from the seller to the buyer according to the terms of the contract. At closing, the seller will be asked to provide clear title to the property and the buyer will be asked to provide the funds needed to close the sale. If there is a mortgage or loan involved, the closing of the mortgage also takes place at this time.

**Question #2: How is escrow opened?** Escrow is opened when anyone involved in the transaction—usually the REALTOR—visits the party handling the closing, and gives them the deposit money and instructions for the transaction. In for-sale-by-owner transactions, either the buyer or the seller or both together may open escrow.

**Question #3: Who sets the closing date?** Either buyer or seller may set the closing date, but both parties must agree. Generally, the buyer puts his request for a 30, 60 or 90-day escrow in the original purchase agreement. The seller may request a shorter or longer escrow, and as long as the buyer agrees, that date will be set. Also, a financing contingency is often put into the offer to allowing the buyer a specified amount of time to obtain a mortgage. Once the buyer has a firm commitment from a lender, the actual closing date can usually be set.

**Question #4: Can the closing date be changed once it is set?** If any party needs to extend the closing date of the escrow, all parties must sign and agree to an addendum or extension to the original purchase agreement contract. Be careful that the extension does not interfere with the lender's obligation for a closing date.

**Question #5: How much will closing costs be?** Generally, closing costs will be between 4 and 5 percent of the purchase price, and will include title searches, government taxes, notary fees, loan fees, escrow fees, recording fees, reconveyance fees, prorations and sales commissions.

**Question #6: Can I find out my closing costs in advance, so I can prepare for the expense?** When you applied for your loan, you should have been given the Good Faith Estimate, providing an estimate of your closing costs. One business day before your actual closing, you are allowed to review a copy of your HUD-1 Settlement Statement.

This is the actual, final statement of the settlement fees you will incur at closing. If you do not have a loan, the closing agent will give you a settlement or closing statement to review prior to closing.

**Question #7: Is there an ideal time to close?** Schedule your closing as soon as possible in the transaction, as escrow officers often are busier on some days than others. When scheduling your closing with the title or escrow company, let them know that you want ample time to go over and review all the paperwork.

**Question #8: Do I need an attorney?** Not necessarily. When an attorney is involved in the transaction, he or she will normally explain each provision in detail. Keep in mind that the escrow officer or closing agent is a neutral third party only, and cannot give legal advice or interpret documents for you. The closing officer can explain each item and review how the numbers were calculated, but for any legal opinions, you will want to consult with your attorney.

**Question #9: Can I move in on the day of closing?** Sometimes. Closing is the day in which the deed is exchanged for the sales proceeds money. Recording will also take place—the deed and any mortgage documents are taken to the county courthouse and recorded in the official records. The actual day that you can move in will be determined by local practice and the terms of your purchase agreement. It may be the day of closing, or it may be a day or two after the closing.

**Question #10: How can I get ready for closing?** A day or two before closing, you should review your final closing statement or HUD-1 Statement. Go over all the calculations and be certain that you are given credit for all your deposits and any other credits due to you from the seller. Review all the lender and title and escrow fees. Check the math calculations on the closing statement, and carefully review the preliminary report or the guarantee of title insurance to verify the exact legal description of the property and any liens, encumbrances or other items that may have been discovered on the property. Be sure that all items are removed that you did not agree to. Verify that the title or escrow agent has your correct vesting, or the way you want to take title to the property. Also, re-inspect the property once again just prior to closing.