

The Closing Process – Initial Request

Title Request: the title examination process begins with identifying the property to be examined and identifying all the parties to the transaction.

- a. Cash transaction - typically the request originates from the sales agent or buyer. A copy of the sales agreement and deed is required.
- b. Mortgage - typically a request for title originates from the Mortgage Company and/or sales agent. A copy of the sales agreement, deed and title order form is required.

Title Order: to establish the chain of title ownership for period of at least (60) years.

- a. Given the legal description provided on the current deed and the information provided on the sales agreement, a title search is ordered with the county abstractor. The abstractor researches the history of the property and then provides a title report. Completion of this report can take up to a few weeks depending upon the complexity of the information and the abstractors work load.

Lien Letters: order letters to establish that the property is free of all municipal, tax, water and sewage liens.

- a. Letters of request are sent to the appropriate authorities along with a check. These fees are determined by the municipalities and need to be paid up front. The cost can range from \$45 to over \$130. The turnaround time is usually about two (2) weeks, however, several factors can cause a delay:
 - If a dye test and/or interior inspection is required, the seller must make arrangements with a plumber to have this completed. Once completed, the results must be turned into the municipality before they will release the lien letter.
 - If the seller is not up to date with their wage tax, the municipality will require the seller to call and make payment arrangements.
 - We are at the mercy of the tax collectors and/or authorizing person and their schedule. Many of these individuals work part-time and nobody covers for them when they are off or on vacation.

The Closing Process – Information Required

Assemble Other Pertinent Information:

- a. Estates – Death certificates or the proof of death will be needed as well as estate tax payment verification.
- b. Mortgage payoff information to include account numbers and seller's social security numbers
- c. Determine who will be preparing the new deed.
- d. If a mortgage is involved, we will need homeowner's insurance information. Most lenders will require a declaration page and premium amount prior to closing.
- e. Determine if a mortgage is involved, we will need homeowner's insurance information. Most lenders will require a declaration page and premium amount prior to scheduling the closing.
- f. Determine if Sellers will be at closing. If not, who will be representing them and do we need a settlement authorization and/or power of attorney prepared and sent
- g. Determine marital status of the buyer and seller

Title Examination: Once the title report has been received, a comprehensive review of all the information must be completed to determine the following:

- a. Outstanding mortgages, judgments and/or liens against the property
- b. Outstanding child support payments on behalf of the seller or buyer.
- c. Does the legal description match our sales agreement?
- d. Is the property in a PUD, and is there a homeowners association with association dues? If so, contact the association to request a resale certificate
- e. Determine who the titled owner is and who needs to sign the deed.
- f. Any defects in the chain of title.

Issue Title Commitment to the Lender: A title commitment is required (if a mortgage is involved) by a lender to show a detailed report of what liens are against the property and to determine what conditions have to be met before closing.

Review Mortgage Commitment: Lender will typically send a copy of the mortgage commitment to the title company so that they can review the conditions that are still outstanding and to notify us of the date the borrower's rate expires.

The Closing Process – Schedule & Closing

Scheduling of Closing:

- a. If a lender is involved, typically the lender will notify the title company that a closing can be scheduled and what they need before they can issue loan documents.
- b. Whether a lender is involved or not, most often the sales agent will contact the closing company to schedule the closing. Usually it is scheduled at a convenient place and time for all parties
- c. The lender will be notified of the day and time of closing so they can begin preparing their closing documents.

Please note that closings should be scheduled weekdays and during banking hours to ensure that we can reach the lender should problems arise at the closing table.

Drafting of Documents:

- a. The **Title Company** typically prepares the following documents for the closing; deed, legal description, buyer and seller affidavits, and any other documents pertaining to the issuance of title insurance. Depending on the lender, they may also prepare some or all of the following; mortgages, notes, 1st payment letters, escrow docs etc.
- b. The **Lender's Package** will typically include the closing instructions, so the title company can prepare the settlement statement, and the mortgage, note, escrow analysis, 1st payment letter etc. Depending on the lender, receipt of closing package can be anywhere from 3 days to 1 hour before the closing.

Settlement Statement -- The settlement statement is prepared by the title company prior to the closing and is basically just a compilation of all of the above information. Preparation time can vary from 1 to 3 hours given the complexity of the transfer and accuracy of the documentation. The following items must be addressed:

- a. Consideration and prepayment to seller
 - Purchase price
 - Prepaid items such as; taxes, rent, utilities, homeowners fees.
- b. Credits to Buyer such as; earnest money, mortgage amount, prepaid rents and/or security deposits, seller paid closing costs, etc.

- c. Charges to Seller such as; existing mortgages and other liens, broker commission, attorney fees, transfer tax, etc.
- d. Charges to buyer, such as; recording fees, transfer tax, lender fees, title fees, etc.
- e. Checks are drafted for disbursement at the closing.

Pre-Closing with a Mortgage: Once the settlement statement has been prepared, it must be faxed to the lender for approval. The lender will then contact the title company if revisions have to be made and/or with an approval to close. The funds from the lender must then be transferred into the title companies' account and verified before the closing can take place, otherwise there will be no money to disburse for seller proceeds and/or to pay off seller's mortgage.

- At this time the title company will contact the lender to verify that all conditions of the loan have been met or to get a list of conditions to be collected from the borrower at the closing.

Closing: At the closing table the following will occur:

- a. Settlement statement will be reviewed and signed by all parties.
- b. Mortgage documents will be explained and signed by the buyer.
- c. Deed will be signed by the seller.
- d. Buyers funds will be collected.
- e. Seller will receive proceeds check.
- f. Copies of all docs will be given to buyer and seller.
- g. Signed copies of the HUD statement will be given to all concerned parties.
- h. Checks will be issued to real estate agents.

The Closing Process – Post Closing

Post-Closing:

- a. Mortgage, deed, assignments all must be recorded at the county.
- b. Checks are to be disbursed to all parties and all liens satisfied.
- c. Mortgage payoffs must be sent via overnight delivery
- d. Loan packages must be sent to the mortgage broker and/or investor.
- e. All escrows must be resolved.
- f. Deposit all incoming funds.
- g. Send final title policy to the lender once deed and mortgages have been recorded and returned.