



From Contract to Closing

This report outlines who does what, and in what order, so that you may follow along with insights into the process.

THE PAMELA
WALTERS
GROUP

FROM CONTRACT TO CLOSING



Between an accepted offer and closing, there are many details to handle. This document identifies who does what, and in what order, so that you may follow along in the process.

Earnest Money Deposit – The Buyer's Agent will take the earnest money check to the title company on the first business day after all the signatures are on the contract, and it is dated, and becomes effective. The title company DEPOSITS the buyer's check in a special trust account called Escrow, to be applied to the buyers' costs at the closing of the transaction. The title company will fill in the receipt section on Page 9. The Earnest Money is a deposit, so if the buyers back out of the contract for no predetermined reason (which would already be stipulated in the contract), the earnest money will typically belong to the sellers as damages.

Option Money – If the buyers have purchased an option to terminate, this money purchases the buyer's (but not the seller's) the right to delay an absolute commitment on the purchase for a given number of days. Buyers can use this time to think it over, have inspections done, allow an absent spouse to arrive and view the house, or simply change their minds for any reason or no reason at all. If the buyers decide NOT to purchase, this money already belongs to the sellers, as the buyers actually purchased the right to terminate. Buyers do not get the money back if they terminate. However, if the purchase

is finalized, the option money is typically credited to the buyer's side of the transaction.

Final Loan Approval – The Buyer's Agent will take the original accepted and effective contract with the receipted section completed to the lender. If the buyers have been pre-approved, the final approval should depend only on receipt of the contract and a contract-value appraisal, showing no loan-specific, lender-required repairs.

Possession – Possession of the property typically changes at closing, but if the parties have agreed that buyers should gain possession earlier, or that the sellers will remain in the home after closing, there will have been a lease addendum as part of the contract. These are usually contingent on a set of conditions, such as final loan approval. The Buyer's Agents will track all these events and ensure that the terms of the lease are met.

Home Inspection – The buyers have a right to



have the home inspected and should order inspections right away to comply with time limits of the option period! The sellers are contractually obligated to provide utility services (all) for the inspection (and leave utilities on until the day of closing). The inspector is to work in

the buyers' best interest, and disclose all defects they find. Typically, the inspector will spend about three hours in the home and provide the buyers with a multi-paged report detailing the conditions of all major systems; structural, mechanical, electrical, plumbing, etc. The buyers may choose their inspector, ask for a recommendation from their agent, or ask for a list of inspectors from their agent. The cost typically starts around \$350, with additional fees for pools, septic, and other amenities.

Buyers are not obligated to get an inspection but your Buyer's Agent can tell you stories about folks who didn't. The purpose of the inspection should be to make sure there are no repairs major enough to cause the buyers to NOT want to purchase the home. The buyers are expected to attend the inspection in most cases (but neither the sellers NOR the Buyer's Agent should be present). The buyers pay the inspector directly when the inspection is completed. Occasionally, the buyers, still in the option period, CAN back out of the transaction if an agreement is not reached.

It is a good idea for the buyers to have their home insurance company look at the home during the option period to ascertain insurability.

The home also stays on the market and sellers can continue to show the property for back up offers during the option period.

Pest Inspections – The option period is a good time to have the termite inspection as well. Most lenders require a clean bill-of-health for the home. If there is no lender (cash sale), or a specific type of loan that does not require one, it is up to the buyers to choose whether to have the home inspected for termites, at the buyers' expense.



Appraisal – The lender, if any, will require the home to appraise for the sales amount. If no lender is involved, the decision to appraise or not lies with the buyers. If the lender requires an appraisal, a third party service selects the appraiser. The fees for the appraisal are at the buyers expense and are usually paid to the lender upon request for final approval. In practice, the appraisal is not usually ordered until the option period is over, or the remainder of the time is waived. This prevents the buyers from paying for an appraisal on a house they are not going to buy.

Setting the Closing Appointment – The closing date selected should meet physical needs for possession of the home, but there are also financial considerations in selecting a closing date. For buyers, if there is to be a mortgage, the lender will charge prepaid interest on the loan from the date of closing and for all the remaining days of the month. For sellers, the monthly payment is prorated and returned based on the date of the closing.

For buyers, there is no mortgage payment for the calendar month after closing, because mortgage interest is paid in arrears (this is also the reason for prepaid interest at closing). The first mortgage payment is due on the first day of the following month. For example, closings February 1 through February 28 will have a first payment due on April 1.

Buyers Final Walk Through – Before closing, the buyers have the option to do a walk-through of the home to ensure that the home is ready for them. This is not mandatory, but many buyers like to do this.

Homeowners Insurance – By the time of closing, the buyers will need to have made arrangements for one year's homeowners insurance. This is paid at closing. Your agent can help you locate insurance if help is needed. Many buyers like to purchase the insurance from a company they

already deal with for their autos, because they will receive a discount for bundling. If you would like some competitive rates, let your Buyer's Agent know. Most local companies are familiar with the process, and you should simply have to tell them the date and location of the closing, as well as the address and price of the home. Sellers are reminded to cancel their existing homeowner's policies on the home right after closing.

Arranging your Move – Your Buyer's Agent has lots of moving tips for you, and if you need any sort of help coordinating your move, please feel free to call. We help families move every day!

Utility Connections – When the home purchase closes and funds, the buyers will get the keys to the home, and will no doubt want to move right in! On the day before closing, or prior to possession if there is a lease, you might want to make sure all utilities are on for the buyers in the buyers' name. The buyers should address several days in advance to ensure they have given the utility companies enough time to create the connections. Buyers and sellers will need to coordinate the transfer of utilities through their respective agents prior to closing.

Final Review of Closing Statements – The title company will typically send the agents a copy of the tentative final closing statements the day prior to closing. Buyers may have had to sign a disclosure three days prior – TRID. Agents will review the documents for accuracy and compliance to the terms of the offer, and will then call their clients. This is when the lender will be able to tell buyers the amount of money to bring to closing. Typically, if the amount is \$1500 or more, a cashier's check or certified funds are required. Policies vary with each title company, and we'll let you know on the day in what form the funds must be presented. This statement will also show the sellers' net proceeds.



Closing Day – Your Buyer's Agent will meet you at closing, sit through the process with you, and answer any questions you might have.

Sellers' Refunds – Again, remember to cancel your homeowner's insurance right after closing so they can issue you a refund. There will usually be a refund from the holder of the mortgage of the taxes and insurance in escrow. This can take 4 to 6 weeks to process and refund. Also remember to submit a change of address at the post office.

Mail Out Closings – If either party is unable to attend a local closing, we will do a mail-out closing. The package will arrive on a particular day, it will include copies and originals marked with where to sign. You will need to receive the package, take it to a notary, sign and witness, and return it ON THE SAME DAY. A prepaid return envelope will be provided.

What's Next?

Our goal is to be YOUR REALTOR® FOR LIFE!



If we have done a good job for you, please tell all your friends, and perhaps leave a review on Google for us.

Your referrals are precious to us!