Step 16: Close on the Home

You may or may not actually be involved on the day your home is officially sold. In many cases, a seller is not required to attend the closing if s/he has previously signed all transfer paperwork and designated an attorney or an agent to act on his/her behalf. You may attend because you must or because your agent advises you to do so.

If you have been involved with the escrow process, you should contact your escrow officer a day or two before closing to get final verification on total closing costs. There should be no surprises on closing day if you have paid attention to the escrow process. Closings can be 30 minutes or an entire day depending on whether or not everyone did his homework ahead of time. Officially, on closing day the seller gives up title, the buyer pays for title, and the seller delivers a **deed** or "bill of sale". The deed should not be delivered until the seller is sure that all terms of the contract have been met.

If you are working with an agent, the agent will tell you who and what to bring. Otherwise, your previous contact with your escrow officer will ensure that you bring the correct items to the close. At the close, you might meet the escrow agent, real estate agent, your attorney, possibly the seller's attorney, and a lender representative.

You may not have to attend the close as the seller. In some cases, the escrow agent will have you sign a series of forms ahead of time, and once you've done that, you're done. You eventually will receive a check representing the net proceeds of your home sale.

A closing is comprised of three parts:

- a review and signature of the buyer's loan documentation
- an exchange of documentation among you, the buyer, and the escrow agent
- the transfer of funds

You may see or hear about any of these items at an "around the table" close.

- purchase contract as amended with notations that all contingencies have been satisfied
- escrow instructions indicating that all steps have been properly completed
- title transfer documentation (certificate of title; deed; title correction documentation, if any; property survey; title insurance binder or policy)
- the buyer's new mortgage-documented evidence of an agreement between the buyer and the lender stating an amount of money has been borrowed at a certain interest rate and will be repaid.
- promissory note-a document accompanying the mortgage which states that the buyer promises to repay the loan over a period of time
- loan disclosures-documentation the lender provides in order to comply with Federal truth-in-lending laws
- lien waiver-a document you and the buyer sign for the lender's benefit which states that neither the buyer nor the seller have contracted for any goods or services for which a lien would be recorded on the property
- the buyer's new homeowner's insurance policy
- calculations for prorations of insurance, property taxes, assumed loan interest, and utilities as appropriate

- settlement statement-the official accounting of how funds have been collected and disbursed; this is also called a closing statement or RESPA (Real Estate Settlement Procedures Act) Form
- loan assumption statement-if the buyer is assuming the existing loan, appropriate documentation indicating the terms of assumption
- seller's mortgage payoff balance letter
- written evidence that the seller's loan has been satisfied and that the mortgage satisfaction has been recorded
- An IRS Form 1099 which states the amount for which you sold the house
- all keys, combinations, alarm codes, and remote controls needed for access to the house

You and the buyers will spend several minutes signing papers to transfer ownership. Your attorney or representative should be advising you as to what you are signing. Read all documentation before you sign it. Keep copies of documents as appropriate, especially your settlement statement. You will use it to calculate your tax basis in the property.

Once again, check your settlement statement to ensure it is correct. It is the equivalent of a check register. Credits are for money you receive. The purchase price is the biggest credit. Smaller credits you might see are for return of prepaid property taxes.

Debits are for things you pay, such as:

- loan payoff
- loan prepayment penalties
- lien settlement
- unpaid assessments
- broker commission
- transfer taxes
- repair allowance
- notary fees
- recording fees
- document preparation fees
- escrow handling fees

You might receive checks after closing for leftover home insurance premiums, utilities, and your lender's property tax escrow account.

Last minutes situations arise, and your closing may not go as smoothly as you had hoped. Things that could go wrong:

- The buyer's loan package is missing or incomplete
- The buyer's loan money isn't where it is supposed to be
- A key person is missing
- Documentation is incorrect
- The buyer's lender makes last minute requests for information
- You must iron out title problems
- You must work out problems found during the buyer walk-through
- Major home damage occurs from fire, flood, earthquake, or vandalism
- Your home purchase fell through and you can't move out

Work with your representatives to solve these problems. If the house no longer exists, it doesn't make much sense in closing on the property as is, but you may choose to work out alternative solutions. Do the work ahead of time to minimize last minute problems, but be prepared for the fact that things do happen and you will have to "roll with it."

Once you give the keys and the garage door opener to the buyers, you are homeless. Congratulations! You sold your house!