

## ***From Contract to Closing***

You did it! Your offer was accepted by the seller and you made it through your inspection contingency period. The taxing days of house hunting, submitting offers and back and forth negotiations are a whirlwind of activity - ups, downs and everything in between. Now that your transaction is considered 'pending,' the partners you chose when assembling your team of professionals are kicking things into high gear. During this interim time leading up to closing, much of the work being done takes place behind the scenes. While you are busy packing boxes and preparing the tangible pieces of your next move, your team is plugging away at the myriad of research, recording, processing, coordinating and issuing that goes into bringing your transaction to the finish line. From your perspective, the physical demands of buying and selling seem to dissipate, but much of the work by your lender and title company is just getting started. Here's what each member of your team will be focused on during the days from contract to closing.

### **Your lender**

While your lender initially issued you a pre-approval for your loan, your file is yet to undergo a thorough risk assessment. Now that you have a signed purchase agreement - your lender will submit your file to their underwriter where the specifics of the property you are purchasing will be weighed against an evaluation of your personal finances.

#### ***Underwriting***

Loan underwriting is the process of a lender determining if a borrower's loan application is an acceptable risk. Underwriters assess the borrower's ability to repay the loan based on an analysis of their credit, capacity, and collateral.

- *Credit:* How well has the borrower handled debt in the past? Borrowers who have a history of late or missed payments are less favorable than those with a proven track record of managing them on time. Your past credit history is an indication to the lender of how well you will manage your debt going forward.
- *Capacity:* Capacity explores your ability to repay the loan. Here the underwriters hone in on your income, stability of your employment and the existing debt and assets you carry. Underwriters will look at the amount of debt relative to the income you earn and whether or not that ratio strikes a healthy balance.
- *Collateral:* Collateral is something of value put up against a loan in case of default. In the case of a mortgage, the home itself is the collateral which the lender would sell to recover any lost funds. In order to have an accurate valuation of the property, the lender hires a third-party appraiser to perform an appraisal.

## ***Appraisal***

A home appraisal is an unbiased estimate of the value of a home performed by a third-party appraiser. Lenders utilize an appraisal to assess the home's market value and to ensure the amount of money requested by the borrower is appropriate to the home.

Depending on the lender, appraisals typically take place within days to a couple weeks from final acceptance of a contract. The appraiser will request a showing of the property via ShowingTime and utilize the time to gather the information they need to establish the value of the home. Measurements are taken as are photos and additional notes to support their opinion of value for the lender. The appraiser turns their report around within a day or two to the lender who hired them. If there are any discrepancies between the purchase price and the appraised value of the home, this is the time you will hear about them.

## **Your Title Company**

### ***Title Search***

The title company's primary responsibility is to insure a clean title is transferred to you at the time of your purchase. This means researching public records for any liens, judgments, easements, encroachments or assessments that could have been filed against the property. In addition, a title search looks for any parties who could claim ownership in the property prohibiting the seller from transferring title to the new owner.

### ***Title Insurance***

Once the Title Search has revealed a clean title, the title company will issue a title commitment, which is a promise to issue title insurance at the time of closing. This policy protects the new owner from any issues with the title that turn up after closing - in other words, it insures your ownership of the property. A title insurance policy is paid for by the buyer at closing. It is a one time fee that covers you for as long as you own your home.

### ***Coordinating Closing***

Your title company will take care of coordinating the time and location of your closing so that all parties are available to attend. In attendance will be your closer, Realtor and lender as well as the sellers and their team of professionals. The buyer selects the location for closing.

## **For your Realtor**

During the time leading up to closing, your Realtor will be checking in with the different members of your team to ensure pieces are falling into place according to the purchase contract. This could include providing a written commitment from your lender that your financing is clear to close, collecting receipts and lien waivers for any inspection repairs and reviewing settlement statements provided by your title company.

In addition, your Realtor will schedule a final walk-through, which takes place either the day before closing or the morning of. Among other things, you and your Realtor will walk through the property to confirm the home is in the same condition as when you submitted your offer and that all personal property that was not included on the purchase agreement has been removed.

## **For you**

The days and weeks leading up to closing will no doubt be busy for you! Aside from managing the logistics of packing, there are a few additional responsibilities that fall on your shoulders. Taking care of these ahead of time will eliminate headaches down the road.

### ***Forward your mail***

Notifying the post office of your change of address is a piece of cake! Head over to [www.usps.com/move](http://www.usps.com/move) and follow the prompts to submit your request.

### ***Transfer Utilities***

To ensure a smooth transition into your new home, give your utility companies plenty of notice to account for the change in ownership. Water, electricity and gas are standard, but your city may require sanitation as well. Check to see who your local cable provider will be and schedule any installations that may be necessary.

### ***Provide funds***

Your title company will notify you of exactly what you need to bring to closing, in most instances, this will include some kind of down payment. Some title companies will request for you to wire the funds, while others may require a cashiers check. Plan ahead to give your bank adequate time to process the funds accordingly.

That's it, you are officially a homeowner after all of this is completed and you have signed the massive amounts of paper at closing!

As your Real Estate Professional, I am with you every step of the way to answer any questions and help navigate through any challenges. We are a team after all!