

10 Tips for a Smooth Closing, by Peter M. Lopez
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10 tips for a smooth closing

Doing your homework can help clear up title and insurance problems before they cause delays.

Peter M. Lopez

Time is money for a real estate agent. And shortening the period from the signing of the sales contract to the closing generally means a faster commission check—and more satisfied buyers and sellers.

An agent who spends a few minutes early on straightening out potential problems can cut days or weeks out of the closing process. Here are 10 ways to do just that:

1-Be sure to obtain the seller's title policy. When listing a new property, it is standard practice to ask for the deed to verify the legal description and to be sure the seller is indeed the owner. But you should also ask for the title policy at the same time. After a contract is signed, present the policy to the buyer or his attorney for review. This allows any potential problems to be identified early in the process, without delaying the closing. Even if the transaction is an all-cash sale, the seller still needs to deliver a good title to the buyer.

2-Notify the closing agent immediately if a seller has a title commitment without a final policy. Usually, a title company issues a commitment to the buyer before closing, then sends the final policy a month or so after closing when the new deed is recorded. But if the title company discovers a problem, it may never issue a final policy. The seller may not be aware of the problem until the property goes back on the market and the title is examined. This should be a red flag, and you should let the buyer's attorney know right away so any corrective action can be taken.

3-Review the title policy for any exceptions or judgments filed against the seller. When you receive the title policy, upon listing, review it for any exceptions listed in schedule B. These exceptions mean the title company will not insure these items, such as property easements or restrictions common to the subdivision. Many times you will find that a judgment has been filed against the seller. You should advise the seller to find an attorney who can resolve these problem areas long before the day of closing or even before a contract is signed. Remember, the judgments must be resolved to sell the property.

4-If the property is in probate, make sure a "restricted account" or escrow account has been opened. You should ask the seller whether the attorney handling the estate has opened a "restricted account" for the proceeds of the sale. That way, the property can be sold and title delivered to the buyer. The heirs and any creditors can settle their claims separately, after closing, from the proceeds of the

sale. Another option is to have the title agent hold the proceeds in escrow until the estate is settled.

5-With a probate sale, find out whether there are any out-of-town heirs. The heirs can transfer their interests to a local attorney who sets up an escrow agreement so the heirs know they will be paid. Unless the attorney handling the estate takes this step, all closing documents have to be sent out to one or several out-of-town locations, a time-consuming process. Not only does this speed the closing, it ensures against the sudden surprise of finding another out-of-town heir—on the day before the scheduled closing.

6-Determine the buyer's and seller's exact marital status, and whether there is a pending change. Since both husband and wife must execute the deed, it is essential to know whether the sellers are married, separated, divorced or single—and pass that information along to the closing agent. For instance, if the title to the property is held by a divorcing couple, it may take extra time to get both spouses to sign the deed. Similarly, if the buyers are just getting married, one spouse may be residing in another location, making it difficult to get both signatures without proper planning.

7-If there is a judgment against the buyer, get more information as quickly as possible. A person can buy property even though there is a judgment against him. Find out if the lender is comfortable issuing a mortgage to such a buyer, since the title company should not hinder the process. An experienced real estate attorney can take steps to clear title to the property for the lender.

8-Help the buyer find homeowner's insurance as soon as possible. Buyers need to start looking for coverage immediately after signing the contract, and get a binder well in advance of closing.

9-Get clear roof, termite and property inspections soon after signing the contract. While some lenders may not require these inspections before issuing a mortgage, other institutions may. In today's market, a lender may assign your buyer's loan to another institution even before closing. Invariably, that means the buyer is advised the day before closing that clear inspection reports are required by the new lender. The buyer should get these relatively inexpensive reports, good for 90 days, even if the initial lender says it's not necessary.

10-For condominium sales, get association approvals and "don't forget the keys." Before closing on a condominium purchase, a buyer must be approved by the condo association board. Then, you may need to call the association to be sure the form is ready. I have found most smooth closings occur when an efficient real estate agent obtains the condo approval and delivers the original at closing. If there is an out-of-town seller, be sure the keys to the unit have been returned to the listing or closing agent.

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