

Closing Techniques That Work

Picture yourself framing a successful transaction.

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The sales contract has been signed, the buyer and the seller are in agreement, the details have been ironed out, and the negotiating has been completed. You've just sold a property, and you're on top of the world. At this point, you may be tempted to begin mentally spending your commission. After all, it's a "done deal."

Unfortunately, much can go wrong between the signatures on the sales contract and the signatures on the closing statements. Many transactions never make it to the table, and others fall apart at closing. In fact, according to the National Association's Profile of Real Estate Firms: 1986, an average of 12 percent of all residential transactions failed in that year. And some companies surveyed reported a failure rate of more than 30 percent.

So, very often, salespeople walk away empty-handed and shell-shocked because their transactions have failed. But these failures can be minimized if salespeople prepare the parties long in advance, shepherd the transaction to closing, keep all parties informed and involved in the process, and follow up.

Let's examine some of the ways a salesperson can keep the closing process on the right track to ensure satisfied buyers and sellers as well as a commission. (The following steps may require the help of real estate financial experts. Be sure to instruct buyers to seek help when necessary.)

Educating Buyers and Sellers

We're told that the fear of the unknown is one of the most powerful fears. It can keep people from pursuing a particular course of action. For instance, it can prevent a buyer or seller from being fully committed to buy or sell. When buyers and sellers haven't been properly prepared for a transaction involving offers, counteroffers, loan applications, credit checks, appraisals, title searches, and certified funds, they're less likely to be wholeheartedly involved in the transaction. Buyer remorse can be lessened or eliminated when buyers know what they're about to experience and why the various steps leading to the closing are necessary.

The effort to educate buyers can include a chronology of events that take place during a home purchase. On your company letterhead, you can print a checklist of such a chronology and give it to each party in a transaction. Although such a list may differ from area to area, the concept is a simple one. It tells a buyer or seller, "First this will take place, then you'll be expected to do this, and so on." Here are some categories for your list:

- Prequalification

- Credit check
- Home selection process
- Presenting your offer; earnest money
- Counteroffer; acceptance
- Loan application; fees
- Loan process; verification
- Title search; title insurance
- Appraisal; repairs; inspections
- Homeowner's insurance
- Utilities; keys
- Closing documents; deed recording

Each of these categories provides you with the opportunity to explain orally, as well as to support with printed materials, what's involved with that particular topic. In discussing the need for and benefit of title insurance, for example, you could supply the buyers with a pamphlet from your local title company. As you explain what happens on closing day, you could review a sample closing document and offer them a copy of the Housing and Urban Development (HUD) closing costs booklet.

Each of the subjects on your list is an area that could cause even an experienced buyer or seller some anxiety, which, in turn, could lead to fear and reluctance to proceed with the transaction. Recognize these danger signals so that you increase the chances of a successful transaction.

Proper Prequalifying

The process of prequalification is a critical one for real estate practitioners. According to the National Association's survey, 41 percent of all unsuccessful residential transactions failed because the buyers didn't qualify for the mortgage. Another 14 percent of the failed transactions were due to financing problems. And in yet another related category, 4 percent fell through because of the lack of prequalification. That means that about two-thirds of the failed transactions were related to what the salesperson didn't do in the area of prequalification.

Before showing homes and presenting offers, salespeople need to evaluate whether buyers can qualify for a specific price and payment range, have the required funds by closing, and obtain a loan from a lender, which involves checking their credit history.

Rising foreclosure rates have caused lending institutions to carefully examine a loan applicant's ability to pay back the mortgage. In some cases, income ratios have been altered. In general, it's tougher for the buyer to qualify. So it's vital for you to understand well in advance of the offer exactly what your buyers can and can't do. The best way to accomplish this is to accompany them to their lender's office as soon as they've chosen a lender. (If your buyers are having problems with select-

ing a lender, feel free to make some suggestions. You'd be doing them a great service.)

Remember, loan officers are eager to cooperate because they're interested in writing the loan once the buyers have chosen a house. A prequalifying session with the lender lasting 30 minutes or so is usually free to buyers. Let's outline the specific benefits of lender prequalifying.

First, buyers are more likely to be truthful about their income, debts, and credit history when talking with a loan officer than when talking with members of the real estate community. There's just something about the federal laws with regard to falsifying information on a loan application that brings out the best in people. Second, the lender wants to help with the transaction, and if there's a way a buyer can qualify, the lender will find it. Third, by bringing prospective buyers to the lender, you develop buyer loyalty, which can result in repeat and referral business. Finally, an offer from a buyer who has been prequalified by a lender is more likely to be accepted. So the offer is more attractive to a seller.

Another vital area in the prequalification process is the examination of the buyers' credit history. It's hard to understand why salespeople would invest their time, energy, and money (gasoline, lunches, and so on) showing properties and writing offers for people whose credit they don't know. But it's done every day. Some wise brokers have become members of the credit bureau so that they can enjoy the benefits of instant credit retrieval by means of an office computer.

By following these suggestions, you're laying the proper groundwork for writing a sales contract that has a good chance of acceptance.

Follow-up After the Acceptance

Much needs to be done between the signing of the contract and closing day. Although much of the work will be handled by others—loan processors, the title company, and appraisers—make it your policy to assume that people might not do the job correctly or in a timely fashion. Any one person can jeopardize the closing by neglecting a necessary step or simply dragging out the process. You, on the other hand, can facilitate speedy processing by staying on top of things and involving and informing all parties. Using a form such as Work Sheet I can help you keep track of all the details.

Without a doubt, the most important activity at this time is communication. Make sure all parties—the other salesperson, the buyer and the seller, the loan officer, and the title company—are regularly in touch. A weekly or biweekly update to the buyer and the seller calms fears, instills confidence in you as a real estate professional, and keeps the buyer and the seller involved in the process. In some instances, a buyer can actually speed the process along. For instance, the buyer can politely remind an employer or landlord to return verification forms or recommendations in a timely manner.

A checklist of what to do makes it much easier to monitor the process and eliminates the possibility of neglecting an important preclosing activity. You should develop such a list, based on the approximate order of events, and refer to it while the loan is being processed (see Work Sheet II).

Closing Day

Because you've done your homework by educating the buyer and the seller, prequalifying the buyer carefully, and following up properly, the transaction has progressed smoothly and you're now ready to close. The loan commitment is in, the title search has been completed, repairs have been finished, and your closing officer has announced the time and date for the final closing. But you're not quite home free; some final details still need to be handled.

The actual closing needs to be a pleasant, smooth-running experience. All parties are eager on the

one hand, yet apprehensive on the other. They're simply not in a psychological position to deal well with the unexpected, so your job is to eliminate any unknown variables.

Although the following steps may be done by an attorney, you can certainly offer your assistance. For instance, it's necessary to communicate with the closing officer in the days before the closing to take care of any final details. The completion of repairs (or escrowing funds for them), the need for certified funds, the payment of a one-year warranty premium, or the delivery of documents removing credit problems must also be handled. Visit the closing company and review all the documents, especially the closing papers, to help verify that contract terms, names, legal descriptions, and numbers are all correct. Far too many closings are interrupted, and sometimes even threatened, by mistakes discovered at the last minute. There's no worse time to find errors. Eliminate them before they reach the table.

Give a short but thorough explanation of each new document that's presented for signature during the closing. All entries on the document—for example, endorsements on the closing statement—should be explained to the parties so that they understand the dollar amounts or the very reason for the costs themselves.

These steps, along with the atmosphere of warmth and relaxation you've created, will go a long way toward making the closing a nonthreatening, even enjoyable, experience.

After the Closing

Although buyer remorse after a real estate transaction probably won't cause buyers to change their mind, you still have a lot to lose by not servicing them after the closing. Repeat and referral business, thousands of dollars in commissions, and your reputation as a professional can all depend on how good the buyers feel about what happened before, during, and after closing day. Forget them now, and they may forget you!

Sit down immediately and write a thank-you card or letter expressing your gratitude to them. A small gift, such as flowers, a cookbook, or a decorative door knocker, is a meaningful gesture of your appreciation.

Enrolling a buyer or seller in a follow-up program—that is, a program in which you pay a company to send literature for you—is an excellent way to maintain contact and express your interest. Also include buyers and sellers in your sphere of influence by contacting them quarterly. You'll build up your relationship and be in a position to solicit referrals.

If the buyer's home purchase included a home warranty, recommend that the buyer's attorney review the policy, analyze the coverage, and explain the procedure for submitting a request for repair. This, too, will promote a strong sense of trust in you and an eagerness to promote you among friends and acquaintances.

Although getting the signatures on the dotted lines may earn a commission for a salesperson, too often something happens that ruins the chance of collecting it. And too often, it's something that could've been handled. Following the suggestions in this article will help ensure more successful closings and far more repeat and referral business over the years.

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Work Sheet I

Closing Information Sheet

Seller Type sale _____
Property address _____ Sales price _____
Name of seller _____ Current address _____
Home phone _____ Business phone _____
Does house have lockbox? _____ Vacant? _____ Occupied? _____
Mortgagee (current loan company) _____ Phone _____ Loan # _____
Appraisal (has been) (will be) made by (company) _____ Office _____
We have appraisal from (company) _____ Amount _____ Type _____
Discount points quoted (%) _____ By whom? _____ Company _____ Date _____
Earnest money amount \$ _____ Check _____ Other _____ Deposit date _____
Bank _____ Address _____ Account # _____
Special instructions (earnest money check) _____
Is there a contingency? _____ Yes _____ No _____ Type _____
Owner has Abstract _____ Survey _____ Well and septic certificate _____
Title policy _____
Termite policy _____ Yes _____ No _____ With _____ Phone _____
Termite certificate I will order from _____
 Owner will obtain from _____
 You order from _____
Seller's attorney _____ Phone _____ Address _____
Seller's insurance agent _____ Phone _____ Address _____
All sellers will be at closing Yes No (explain no) _____

Buyer Source of buyer _____ Type sale _____
Property address _____ Sales price _____
Name of buyer _____ Current address _____
Home phone _____ Business phone _____ Earnest money amount _____
New loan/assumption application (has been) (will be) made at _____ Date _____
Loan officer _____ Office _____ Phone _____
Buyer desires attorney opinion Yes No Your order Yes No
Attorney desired _____ Office location _____ Phone _____
Buyer's insurance I will order from _____
 Buyer will order from _____
 You order from _____
Plumbing inspection I will order from _____
 Buyer will make own inspection _____
 Buyer will order from _____
 You order from _____
Buyer desires owner's title insurance _____ Ordered from _____
Will all buyers be at closing? Yes No (explain no) _____
Will buyer occupy property prior to closing? Yes No
Rental \$ _____ /month \$ _____ /day
Is there a contingency? Yes No Type _____
Will purchaser be living in the home? Yes No
Housewarming gift sent? Yes No

Sold by _____ Home phone _____ Referral/showing fee of _____ % to _____
Listed by _____ Home phone _____ Referral/showing fee of _____ % to _____
Cross sale with _____ Company _____ Phone _____
Salesperson _____ Phone _____
Relocation referral _____ Corporate referral _____ Other referral _____

Transaction Processing Checklist

	Activity	Date Completed	Other Salesperson Notified	Buyer/Seller Notified
1	Earnest money deposited			
2	Sales contract delivered to lender			
3	Loan application completed			
4	Employment verification returned			
5	Bank account verifications returned			
6	Credit report received			
7	Appraisal returned			
8	Repairs performed			
9	Pest inspection performed			
10	House inspection performed			
11	Title report received			
12	Homeowner's insurance arranged			
13	One-year protection plan (optional)			
14	Lender commitment received			
15	Closing date set; notifications			
16	Utilities transferred			

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