

What Happens At Closing?

Most states in the US use title and escrow companies (usually one company combining both services) to facilitate real estate transactions. Some states use attorneys which act as intermediaries for the same purpose. This discussion, viewed from a home buyer's perspective, includes the role of a title and escrow company. A title and escrow company fulfills two functions: escrow holder and title insurance provider. An escrow holder is an agent who takes possession of money and written instruments until such time as certain conditions are met. In the simplest terms, the escrow company receives the seller's grant deed, your money, then makes the exchange: you get the deed, the seller gets the money. Several days before the transaction is scheduled to close (funds disbursed, deed recorded), you'll sign your closing documents. Presented below are the closing procedures relative to signing documents.

Pre-document Signing

A good guide to understanding your duties throughout the escrow process is your purchase agreement (contract). The contract identifies the duties of buyer and seller. Your tasks may include:

- Ordering, reviewing and approving (or negotiating findings of) property inspection reports stipulated in the contract (roof, structural, pest control, etc.).
- Inspecting any completed work designated in such reports.
- Applying for financing, including receiving and understanding a Good Faith Estimate.
- Identifying an insurance agent.

Document Signing

Document signing usually occurs at the title and escrow company. Your real estate agent may accompany you. You may have your attorney present. At minimum, in attendance will be the buyers and an escrow company employee, who may also provide notary services. The escrow company employee will answer any questions about their documents and will guide you through the signing process. You'll be reminded ahead of time to bring to the appointment two official photo IDs and a cashier's check (if funds will not be electronically transferred) for the balance of your down payment.

The principle documents you will read and sign include:

- Escrow instructions (based upon and adding to the purchase contract) which can include:
 - the purchase price and terms
 - agreement regarding mortgages
 - title vesting
 - matters of record affecting title
 - inspection reports to be delivered into escrow
 - proration adjustments
 - date of possession
 - disbursements to be made
 - identification of all charges and who pays for them
 - closing date
- Loan documents (promissory note, loan agreement, deed of trust, Truth In Lending)
- Fire Insurance (and other requested) coverage
- Structural Pest Control (and other reports) for acceptance
- Other documents as required

The escrow company is required to execute escrow instructions. The escrow company will not:

- Interpret your purchase contract
- Act as mediator or advisor
- Participate in controversy
- Arbitrate disputes
- Offer legal advice
- Act in a discretionary capacity

Post-document Signing

Between the time you sign documents and close of escrow, the title and escrow company will:

- Request funds from the new lender (if required).
- Verify that checks, drafts, etc. have cleared.
- Order recording (includes title search and document recording).
- Provide the HUD-1* (when required). This document must be made available at least one day prior to closing.
- Close escrow:
 - confirm recording
 - prepare settlement statements
 - deliver documents to parties of the transaction
- When the deed has been recorded, you are entitled to the keys to your new home.

* The HUD-1 Settlement Statement is an accounting of the closing. All money flowing into and out of settlement appears on the form. You will sign this document, and get a copy of it to take with you.