

What to Expect at Settlement (Escrow/Closing)

You've found the home you want, and your offer was accepted! Now all that needs to be done is to finalize the funding and paperwork. Here are a few basics to help you understand the steps before the keys to the front door are placed in your hand.

What Is Settlement?

Also known as "closing"; closing is part of the process by which ownership of a property is transferred from one party to another. Completing all of the steps necessary for the final contracts to be signed takes about a month, but in some cases, closing can take from 30 to 90 days.

What Are Closing Costs?

Closing costs cover the services required for a property to change hands. Services required to process the property transaction include title work, appraisals, inspections, document preparation, recording fees and other expenses.

How Much Are Closing Costs?

Although they vary by state, typically, closing costs total 1% to 2% of the home's purchase price. Closing costs generally cover:

Mortgage Costs: Loan origination fee, document preparation, points, commitment fee, underwriting fee.

Outside Vendor Costs: Appraisal, credit report, flood determination fee.

Title Costs: "Closing" Settlement fee, title/abstract search, title insurance premium (for the lender's and owner's policies).

Government Fees: Title recording and transfer tax fees.

At closing, you'll also face the cost for "pre-paid items," which cost another 1% to 2% of the purchase price. The pre-paid items usually cover upfront payment of typical "year one" costs of home ownership, such as homeowner's insurance premiums and real estate taxes.

Do I Need Owner's Title Insurance?

Buying a home is one of the biggest decisions and financial investments you'll ever make. To the extent of the matters set forth in the policy, an owner's title insurance policy provides certain protections in connection with title mistakes and irregularities that occurred prior to the issuance of the policy. Dollar for dollar, it's one of the most cost-efficient forms of insurance for homeowners. The relatively low, one-time title insurance premium covers you against pre-policy title defects that could otherwise cost tens of thousands of dollars and even the loss of your home, for as long as you own your home.

What is Escrow?

An escrow is an arrangement in which a neutral third party, called an escrow holder, holds legal documents and funds on behalf of a buyer and seller. The escrow holder distributes funds and documents according to the buyer's and seller's instructions. By acting as a neutral third party on behalf of the buyer and seller, the escrow holder can save time and facilitate the real estate closing.

What Do I Need to Bring to Settlement/Closing?

Buyers and sellers need to bring approved photo identification, such as a valid driver's license. Confirm with your settlement agent about the form in which any money you owe should be submitted.

Falling in love with the right home, making an accepted offer, getting prepared to become the new owner. All that stands between you and the front-door keys is the closing.

Take the final steps to realizing your dream by discovering what you need to know about your real estate settlement. An escrow holder will act as a neutral third party and carry out the mutually-agreed instructions of the parties.

Your escrow holder will assist you throughout your real estate transaction to bring it to a successful closing.

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