

## Let's start at the very beginning:

What does "closing," "settlement," or "closing escrow" on your house mean?

**Closing (or settlement as it is known in some parts of the country):** is a term used for the point in time at which the title to the property is transferred to the buyer and, generally, a mortgage (or "deed of trust") is given by the buyer/borrower to the lender.

**B**uying a house is an exciting time and the more you know about the process, the more relaxed you'll be going through it. Keep reading, and we'll walk you through what the closing process really means.

Some information about the costs associated with closing on your home should be provided to you before you put a contract on a house. If you are obtaining a loan to purchase the property, your lender has three business days from the time of the loan application to deliver or mail a Loan Estimate (LE) of your loan costs so there are no surprises about costs. Within those three days you should also receive a copy of the booklet, "Your Home Loan Toolkit: A Step-By-Step guide," which outlines the settlement process. If these two things do not occur, talk to your lender.

Once the seller accepts your sales contract, the countdown to closing begins. Timing is essential to make sure all the ingredients for a successful closing are in place for your arrival. If you have given the seller an earnest money deposit, the escrow agent, that was selected under the sales contract, will see that the earnest money is promptly deposited into an escrow account where the funds are held until the time of closing.

Next, the escrow agent will request preliminary title work. A title professional will search and examine the public records for information related to your home's title. This provides warnings of title flaws that must be dealt with before the property can change hands. For instance, the previous owner may have failed to pay property taxes, city assessments, or homeowners dues. Or there may be an outstanding mortgage or judgment on the property. Title professionals work hard to see that such obligations

are dealt with and resolve any issues they find well before you go to closing, if possible. If the sales contract calls for a prior mortgage to be paid off, the settlement agent will order payoff figures from the existing lender. If the buyer is assuming the loan, the settlement agent handles that as well. If the sales contract calls for a new survey, the settlement agent will order a survey.

Finally the settlement agent and the lender, if applicable, prepare settlement statements, which outline all of the costs for the buyer and seller associated with the closing. In cash transactions, the settlement agent prepares a HUD-1 settlement statement. In most transactions involving a loan, the lender prepares buyer's settlement statement, known as a Closing Disclosure (CD), while the settlement agent prepares and provides the seller's CD. The buyer's CD must be delivered at least 3 business days before closing.

On closing day, the property will be transferred from the seller to the buyer. You will sign a number of documents that will be explained by your escrow agent. Once all of the signing is done and all the funds have been collected and are ready for disbursement, the house is yours! Congratulations on achieving the American Dream!

You should be generally aware that the behind-the-scenes process continues after the closing. The escrow agent still must forward payment to any prior lender, pay all the other parties who performed services in connection with your closing, pay out any net funds to the seller, and order a final search of the title to your new home before finally recording all the documents needed legally to complete your purchase. But you don't have to be involved in any of this. Your escrow agent takes care of these post-closing details!

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