



305.663.8999



Specializing in the Sale of Residential & Commercial Real Estate in South Florida

Closing your Transaction

What is a Real Estate “Closing?”

A “closing” is the meeting between the Buyer, Seller, their agents (optional), representative from the lending institution and an attorney wherein the actual transfer of title to the property occurs. The purchase agreement or contract you have signed describes the property, states the purchase price and terms, sets forth the method of payment, and usually names the date and place where the closing will occur. This meeting is also referred to as the settlement. The attorney transferring ownership of the property to you will prepare a new deed. Your lender will require you to sign a document, usually a promissory note, as evidence that you are personally responsible for repaying the loan. You will also sign a mortgage or deed of trust on the property as security to the lender for the loan. The mortgage or deed of trust gives the lender the right to sell the property if you fail to make the payments. Before you exchange these papers, the property may be surveyed, appraised, or inspected, and the ownership of title will be checked in county and court records.

What Should You do to Prepare for the Closing?

As previously mentioned, you should have already conducted any inspections, etc. you wish to have done on the property. There are two kinds of title insurance. A lender or mortgagee’s title insurance policy protects only the lending institution. Lenders require this type of insurance and require the borrower to pay for it. That does not mean that the borrower will receive its protection. An owner’s policy is necessary to protect the owner against loss. You will also be required to pay all fees and closing costs in the form of “guaranteed funds” such as a Cashier’s Check. Your loan officer will give you an idea of the amount to bring prior to closing; you will be notified of the exact amount by the attorney at closing.

What is an Escrow Account?

An escrow account is a neutral depository for funds that will be used to pay expenses incurred by the property, such as taxes, assessments, property insurance, or mortgage insurance premiums which fall due in the future. You will pay one-twelfth of the annual amount of these bills each month with your regular mortgage payment. When the bills fall due, they are paid by the lender from the special account. At closing, it may be necessary to pay enough into the account to cover these amounts for several months so that funds will be available to pay the bills as they fall due. You may also be required to refund items prepaid by the Seller. For example, if the Seller has paid the special assessments or taxes for that year, you may be required to refund the value of the months remaining the year when you take possession of the property. An escrow fee is usually charged to set up the account.

What is Title Insurance?

Owner’s title insurance is optional insurance with a one-time premium offered to you at the closing of your property. It is especially important when there is a cash sale without any other financing. If you have a loan, it covers your equity in the property up to the sales price. As you pay down the loan, your

pay down the loan, your coverage increases. An owner's title insurance policy amount is set by the purchase price or value of the property, whichever is greater (typically the purchase price). This owner's coverage is in conjunction with the required lender's coverage. A loss paid under the loan policy would reduce the amount of insurance on the owner's title insurance policy. So, essentially the owner's coverage is on the equity, which will increase as the loan balance decreases. An owner's title insurance policy protects you against the many defects in title that a proper title examination by a title attorney may not reveal. Several examples are:

- _ Material men's liens
- _ Matters during the "gap period"
- _ Forgery in the chain of title
- _ Encroachments of fences and other structures
- _ Invalid or fraudulent probate of wills
- _ Improper foreclosure
- _ Invalid divorce
- _ Unknown heirs
- _ Invalid wills

Title insurance does not guarantee against problems with your title. However, it does cover these and other claims against your title. Often purchasers do not feel the need to purchase owner's title insurance for a number of flawed reasons, including:

1. The lender coverage should take care of any problems.
FALSE! The lender's coverage is available only to the lender in the event you default on the loan, there is a foreclosure, and then there is a problem with the title.
2. The house was just built; therefore you do not need to worry about what happened before the house was there.
FALSE! The land was there, even though the house might not have been. The original grant of land in the state of Georgia was from the Queen of England. That is where the chain of title begins. Not to mention recent claims to land titles by Native Americans. Other examples of title problems that can originate with new construction are: mechanics liens on the property, the house was not built on the correct lot or the house was not built behind the building lines.
3. The law firm searched the records, therefore they are liable.
FALSE! There are many mistakes in the county records which could not be discovered by a prudent search. (See above). Typically, the law firm represents the lender and not you, the purchaser.
4. You have very little equity in the house; therefore you do not need to purchase title insurance.
FALSE! If a claim arises and you do not have owner's title insurance, you could end up paying many times more than the premium to clear the problem in order to keep your home. If there is a problem, you not only lose your equity, but you are still obligated to repay the lender the loan amount. If there was a valid claim against the property, you could end up having to pay the claim or risk losing your home, and still have to repay your mortgage.