Residential Closing Checklist for Buyers

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Residential real estate closings can be frustrating. Challenges can arise at any of the many steps required for a successful closing, making residential real estate closings anything but routine. Today, buyers find closings increase their stress levels more than ever due to dramatically more stringent lending requirements and complicated title company procedures that leave little room for error. Further, financial pressures on both the buyer and the seller raise the stakes as well. Review each of these steps well before you start packing and you will greatly improve your chances of a successful closing:

Closing Location:

Verify the time and date of the closing location. The title company may put one address on the closing statement but the actual closing may be at a different branch office of the title company or the realtor's or attorney's office.

Liquidate Funds:

The balance of your purchase price (taking in account your earnest money already on deposit) plus your closing costs needs to be readily available. These funds are referred to as the "bottom line" or the "cash to close." Your lender should coach you on the expected bottom line and this should be noted on the Good Faith Estimate (GFE) that your lender provides. The GFE can be confusing. For example, some costs noted (like the owner's title policy) are actually seller costs that get noted on the buyer's side but will be a credit to you at closing. Call you attorney to review the GFE after you have had a chance to talk to your lender. Liquidating the funds may take extra time if they are coming from the sale of stock or a loan from a retirement plan or relative.

Form of Funds:

For bottom lines under $50,000, you can come to closing with a cashier's check. The bank should make the check payable to the title company and NOT your name. You cannot endorse a check to the title company any longer. Also, as the borrower, you should be the "remitter" on the check; otherwise it looks like gift funds. If your funds are from an out of state source, you need to plan ahead as some title companies may not take out of state cashier's checks, in which case arranging the funds to be wired is best. Some banks require you be in the lobby and will not wire based on a call or fax. Funds equal to and greater than $50,000 must be wired, and you cannot break up the payment as a means of avoiding this requirement. For example, if your cash to close is $60,000, you cannot use one cashier's check for $40,000 and another for $20,000; your only option is to wire $60,000. Wire extra funds to leave a cushion since the title company will not take a personal check. Get wire instructions from the title company, the lender or your attorney well ahead of closing, and make sure your bank notes the title company escrow number on the wire form. The bank will normally require you to be physically in the bank to initiate the wire.

Personal Property:

Did the Seller leave behind all the personal property items required in the contract, the attorney review, the MLS listing sheet or brochure? Think about items such as the basement refrigerator, battery back-up sump pump, mirrors, chandeliers, planter boxes, swing set, curtains, blinds and shelving. Ask your realtor or attorney if you are unsure.

Movers:

Make sure your movers are confirmed and that they have the proper sized crew and truck to efficiently complete the move. If the truck is too small, the move may become long and complicated. Also, consider whether you own any items that are difficult to move and determine ahead of time how you will package and safely transport these items. Will large items get out of your present home and make it through the new front door and up any necessary stairs? Do you have the proper tools to disassemble larger items? It may take a metric socket wrench to disassemble the bed. Make sure you know what form of payment the movers take; many do not accept personal checks. If you are moving into a condominium, you may need to meet with the condominium board, complete an application, provide interior insurance, reserve an elevator and sometimes put down a deposit well ahead of time.

Lender's Conditions:
Ask your lender if there are any outstanding conditions to your loan. Common conditions include verification of earnest money deposit, gift letters and copies of account statements. You do not want to be surprised at closing and sent scrambling for documents. Make sure the recorded amount of your earnest money matches what you actually deposited and what the listing realtor has on his or her statement.

Identification:
Bring an up-to-date government issued photo ID. Some lenders also require a second form of photo ID with your legal name on it.

Transfer Taxes:
Some communities charge the buyer, the seller or both a transfer tax based on the purchase price. Often times a water bill must be paid in full before the community will issue the required stamps. Coordinate with your attorney which party will make the payment. Also, some communities require a home inspection by the building department. Other communities require a copy of the contract, deed or state transfer declaration. Ask your attorney or realtor about the procedures and be prepared. In the City of Chicago, the seller's attorney obtains a Zoning Certification (for 2-5 unit buildings, this certification must be ordered three weeks or more before the closing) and the water certification, but the transfer stamps may be purchased through the title company.

Spouse:
Even if your spouse is not on the loan, most of the time your spouse must sign the mortgage to waive homestead rights (providing certain protections from creditors). Talk to your lender if you are divorced or getting divorced. You may need to bring additional documentation, such as a divorce decree. Even if your spouse is not on the deed, for a home, your spouse usually must sign the deed to release homestead rights (providing certain protections from creditors).

Power of Attorney:
Consider using a Power of Attorney (POA) if your attendance at the closing will compromise your moving plans or if you will be out of town. A POA allows your spouse or your lawyer to sign the closing documents. Some buyers prefer this when they are moving on the day of closing.

Home insurance:
All lenders require an insurance policy to be in place before closing. For condominiums, the association will have a policy for the common elements, but you need condominium owner's coverage for the interior of the unit, known as HO-6. The insurance company will need details from your lender about the mortgagee clause, required coverage and policy limits. Be sure to get sewer back-up coverage and flood insurance, as these types of coverages are not automatic.

Disclosures:
Make sure you receive the disclosures and test results you arranged for in the contract stage (well/water, radon, termite and mold). Also, if you are buying a condominium unit, make sure you received the 22.1 Condominium disclosures and minutes.

Walkthrough:
Schedule the final walkthrough with your agent. Verify that the inspection items that the seller agreed to fix were completed and paid receipts are available. Verify that required personal property items were left behind by the seller, all appliances are in working order and there are no leaks or damage to the property. You may want to order a home warranty policy for future repairs. When purchasing a condominium unit, identify the storage and parking space and deck or terrace locations, even though you should have seen these limited common elements and assigned spaces when making an offer, Tell your attorney again about any issues. Keys: Inquire at the walkthrough how you will get the keys, fobs, mailbox key and garage door opener. If the doorman has them, verify whether he or she will be able to give them to you after the closing or whether you will need to present a written form. You cannot be too sure or make any assumptions.

Review the Loan:
Make sure the lender's closing costs match the GFE, the mortgage interest rate is correct, the loan amount is accurate, and if adjustable, the year of adjustment is correct. Verify that the names are spelled correctly on the mortgage. Make note of any pre-payment penalty, late fees and the first payment date. Check the tax and insurance escrows to make sure the amounts are accurate.

Review the HUD-1:
Review the loan charges, fees being paid to the title company, attorney or escrow agency, check the tax proration and tax escrows for accuracy and verify the purchase price and the earnest money.

Review the Deed:
Make sure the name on the deed matches the name on the mortgage (spelled correctly and including any middle initials). Confirm if you are taking title individually, as tenants in common, joint tenants or tenants by the entirety with your spouse. If you take tile with another person, did you consider a break up agreement? Most attorneys can prepare a simple agreement for this purpose.

Title and Survey:
Look over the title policy with your attorney and review all the easements and covenants, along with any other items affecting your title, and verify that the taxes were paid. Make sure that you have the proper land survey. Usually the seller will provide this, but often in the case of a short sale or bank owned property, the contract excludes a survey. In that case, you need to order it for your protection.

Utilities:
Make arrangements to change over the billing for utilities ahead of time. Some utilities, like cable and internet, have a long lead time and may be more complicated in a condominium. Make sure the seller has not prematurely disconnected the gas or electric, as there are long lead times to reconnect.

Real Estate Taxes:
Make sure you understand the how and when the taxes get paid and how to get the exemptions (homeowner and senior citizen) you are entitled to. See Real Estate Tax Basics for Cook County Transactions for more details. Apply for a change of address if the transfer tax forms do not activate the change with the county.

Income Taxes:
Often, if your loan is sold at the closing to a new lender, your interest statement for the current month will not be sent to you. The lender should provide the 1099 in your loan package. You can use the 1099 to make an interest deduction in the year of your closing. Put a copy of the 1099 and your HUD-1 in your tax file.

Mail:
Forward the mail to your new home. This can be done online at USPS.com or by completing change of address form at any USPS facility.