

# *The Closing Process*

## ● What Is A Closing

Closing is a term used for the point in time when the seller and buyer sign their closing documents and complete the sale of the property. Buying a house is an exciting time. The more you know about the closing process, the more relaxed you will be going through it. Keep reading. We will walk you through the closing process.

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## ● Prior To Closing

Once the seller signs and accepts your offer, the countdown to closing begins. The first step is to select both a title agent and a closing agent. A closing agent is sometimes called a settlement agent or an escrow agent. Sometimes a title agency will perform both services. You may shop around to select a title agent and a closing agent or you can rely on a recommendation from your real estate agent or lender.

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## ● Title Agent's Role

In preparing for closing, a licensed title agent will search and examine the public records for information related to your home's title. The information obtained from the title search will be placed on a title commitment showing the condition of the title. The title commitment will show many things – such as the legal owners of the property, the legal description of the property, and the conditions of record like any mortgages, liens, real estate taxes, easements and restrictions. Your purchase agreement will dictate how those conditions of record will be addressed at closing.

If your purchase agreement calls for a prior mortgage to be paid off, the closing agent will order payoff figures from the existing lender. If you are assuming the prior mortgage, the closing agent handles that as well. The closing agent will follow the closing instructions contained in the purchase agreement as modified by any separate escrow agreement. An escrow agreement is a written agreement between the buyer, the seller and the closing agent that details the duties and liabilities of the closing agent. The closing agent also follows any new lender's instructions. For example, if directed to do so, the closing agent may order a stake survey or a location service for the new lender's benefit. When all of the conditions of the purchase agreement and the instructions are met, the closing agent is ready to prepare the HUD-1 Settlement Statement. The HUD-1 outlines all of the closing costs for both the seller and the buyer. Prior to any new loan, the lender will provide the buyer with a Good Faith Estimate. The HUD-1 will show the closing costs and the changes from the Good Faith Estimate.

## ● At The Closing

You will sign a number of papers that will be explained by your closing agent. If you have questions, you should consult an attorney. When all of the closing papers are signed and all the conditions and instructions satisfied, the deed will be recorded transferring the property from the seller to the buyer, the costs on the HUD-1 will be paid and the funds disbursed. Your closing agent takes care of these details. The house is yours! The purchase agreement will state when you can take possession.

## ● Title And Closing Charges Explained

**Settlement/Closing Fee** – is a fee paid to a closing agent who calculates the closing costs, prepares the HUD-1 Settlement Statement and oversees the recording of the deed and any mortgage, the payment of costs and the disbursing of funds. The amount of the Settlement/Closing Fee may vary from company to company. The quality of service may also vary. The lowest closing fee may not always provide the best, most timely service. You can shop around for the best price and service or rely on your real estate agent or lender. Depending on the local custom and practice and the language in your purchase agreement; the closing fee is either paid by the buyer, the seller or both. The time to negotiate who pays all or part of the closing fee is before you sign the purchase agreement.

**Title Search/Exam Fee** – is a fee paid for a title search or exam to determine whether there are problems with the title to the property. The amount of the title exam fee may vary from company to company. You can shop around or rely on your real estate agent or lender. Depending on the local custom and practice and the language in your purchase agreement; the title exam fee may be paid by the buyer, the seller or both. The time to negotiate who pays all or part of the exam fee is before you sign the purchase agreement.

**Closing Protection Coverage** – By law, the settlement agent must provide you with a Notice of Closing Protection Coverage. This coverage generally protects you (but only if you purchase coverage) and, or the lender in the unlikely event the settlement agent disburses your funds in an inappropriate manner causing a loss to you or to your lender. The cost to provide coverage to your lender is \$35.00 and the cost for buyer coverage is an additional \$15.00. The costs or rates are filed with the Ohio Department of Insurance.

**Title Insurance** – There are two kinds of title insurance policies: a loan policy (sometimes called a lender's policy) and an owner's policy. The cost for the loan policy is based on the loan amount and is usually required by your lender. The loan policy provides title coverage only for the lender. The cost for the owner's policy is based on the sales

price of the home and provides coverage to you for as long as you have an interest in the property.

Who pays these one time fees at closing varies from area to area. Ask your agent how it is handled in your area. A discount is available on the premium for the loan policy, if an owner's policy is purchased simultaneously. Additionally, discounts may be available if an owner's title policy has been issued within the last ten (10) years. Be sure to ask your closing agent if you are entitled to any discounts and also ask for a cost comparison between the purchase of a loan policy only and the purchase of both an owner's and a loan policy. Title insurance rates are filed with the Ohio Department of Insurance.

**Additional Closing Costs Paid To Lender** – Additional costs may be charged to you by your lender. Lender fees may include a loan origination fee, an appraisal fee and a credit report fee, to name a few. The time to negotiate who pays all or part of the additional, lender charged closing costs is before you sign the purchase agreement.

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