

RESIDENTIAL REAL ESTATE TRANSACTION TIMELINE

LEGEND

- 1** Not always required / may be optional
- *** Best practice for time management
- §** a) This date is negotiable and/or tentative b) shorter time frames are typically better/more competitive
c) communication with the other agent/lender/lawyer is advised
- \$\$\$** Buyer will have out of pocket expense at this time

Before Showings / Offers - Mortgage Prequalification

- Needed to shop confidently and act quickly. Shows a seller that a buyer is capable of making a purchase. Required to schedule most showings and needed to write any offers.

Day 0 - Offer Accepted / Mortgage Application Started

- Both parties have agreed to terms. A formal purchase offer has been signed.
- The contract is then sent to the attorneys and the buyer's Mortgage Loan Originator (MLO). Buyer should turn in any application documents requested by their lender **as soon as possible**.

Common Documents Needed for a Mortgage Application

- Driver's license or state ID
- Last two years personal tax returns and business tax returns if self employed
- W-2's and K1's for the last two years (self employed)
- Bank statements for the past two months for all checking and savings accounts (all pages)
- 401k, IRA, and other investment account statements
- VA applicants: Form DD-214, Statement of Service, Leave and Earnings Statement
- A Gift Letter and bank statements evidencing the gift if there are funds being donated by a 3rd party
- Landlord contact info for any leases in the last 12 months

Day 2 - Earnest Money Deposit Deadline - \$\$\$

- Deposit amount is negotiable. It will be defined in the contract and paid by check. Buyer should take pictures of the check, front and back, and send them to their agent and MLO.
- Buyer will mail/deliver a check to the listing brokerage. Address and instructions will be provided by buyer's agent. Deposit funds will be held in escrow and credited towards closing costs.

Day 3§ - Attorney Approval Deadline

- Signatures alone do not create a legally binding agreement.
- Attorneys will review the contract in detail with the buyer/seller and confirm their client's complete understanding of the terms set forth therein.
- Attorneys can *disapprove* a contract if a buyer or seller does not want to move forward. No reason needs to be given to the other party.
- Attorneys will issue an approval (or denial) letter on behalf of their client on or before the approval deadline (typically 3 days). The contract becomes binding for each party immediately when their attorney issues approval, regardless if the other party has issued theirs.

Provided by

James Graye | REALTOR®

Licensed Real Estate Salesperson

585.485.8585

james@buysellroc.com

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Day 3§ - Appraisal Ordered - \$\$\$

- Appraisal is typically ordered once attorney approvals are on file.
- An appraisal is an independent 3rd party opinion of a property's condition and value that a lender will consider when determining their willingness to provide a loan.

Day 7§¹ - Inspection Deadline(s) - \$\$\$

- If one or more inspections are part of the contract they will typically need to be completed within 7 days of offer acceptance.
- Well & septic inspections are usually allowed 21-30 days.
- Waiting until attorney approvals are issued to perform inspections is a best practice.
- Inspectors ordinarily expect payment at the time of the service.

Inspection Date +2 days§¹ - Inspection Review Deadline

- A contingency removal form must be provided to the seller by this deadline. Normally, no more than 2 days after the day an inspection was completed. This form indicates if a buyer is satisfied with the inspection or if they have points they want to negotiate. If a buyer presents terms to negotiate then the seller will have a fixed amount of time to review those terms and respond back. Ordinarily, 2 days from receipt.

Example timeline: Buyer has negotiated for 7 days to perform a home inspection and 2 days after the inspection to consider the findings. If the inspection is done on day 4 then the buyer's intentions are needed by day 6. If there are conditions set forth by the buyer at that time then the seller has until day 8 to review them and respond.

Example condition: Buyer requests that the seller makes some repairs before closing. Alternatively, a credit covering the cost of repairs may be discussed in lieu of the seller needing to make repairs.

Day 14* - Mortgage Application Check In

- All documents should have been turned in by now unless there are extenuating circumstances. If not, then time is running out. Work closely with the MLO and Mortgage Processor to determine if an extension will need to be requested.
- A buyer should provide anything their Mortgage Loan Originator or the Mortgage Processor asks for right away! There may be additional requests for supplemental documentation and several days are needed to review submissions each time something new is added to the file. If deadlines aren't met the deal may be in jeopardy.

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Day 14-30§ - Mortgage Commitment Deadline

- A lender will need to formally communicate their decision about providing a loan on or before the deadline. There are two possible outcomes: **a)** approved with conditions, or **b)** denied.

a) Conditional Approval Example Conditions: Updated versions of documents already submitted, various types of supplemental documentation, satisfactory appraisal results, repairs to the property, final verification of employment (VoE), final credit review, etc. A lender may not require all of those. However, they may require all of those and more.

Note: Homeowners insurance binder *will* be a condition - \$\$\$

b) Denial: If there are circumstances that may lead to a denial they will have been discussed prior to this decision. Most major problems are uncovered during the prequalification process. However, if a loan approval is in jeopardy at any point the MLO will communicate their concerns and work diligently to overcome any obstacles. **Note:** Most denials are due to applicants not providing complete and accurate information when getting prequalified. The vetting process is thorough and any omission or obfuscation early on will be caught later.

Mortgage Commitment Deadline +1 Day§ - Survey and Abstract

- Survey and abstract of title are ordered by seller's attorney. Legal counsel for all parties will then review those items in turn. They provide an abundance of critical information relevant to the property's use and marketability.

First: Seller attorney review.

Next: Buyer attorney review.

Last: Bank attorney review.

- Reviews take place over a period of several weeks in most cases.

One Week Before Closing¹*§ - Inspection Conditions Deadline

- This is a deadline that may be negotiated following any inspection(s) if there were any. If a buyer removed their inspection contingency with conditions then those conditions should be completed by this deadline.
- Receipts/completed work orders may be required to be provided to the buyer by this date.
- Buyer will be permitted to visit the property. required to sign an acknowledgement that their conditions have been met.

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One Week to 3 Days Before Closing§ - Clear to Close Issued by Lender

- Clear to Close is announced when the loan's underwriter gives the final approval for the mortgage application.
- **The loan is still subject to some conditions!** For instance, the buyer must provide the agreed upon down payment, pass a closing day credit check, and there will be a final verification of employment, to name a few. Any material changes to an applicants circumstances should be discussed their MLO right away. In progress closings can and do get canceled at the closing table if any surprises are discovered.
- Once Clear to Close has been announced and all of the survey and abstract of title reviews are completed, a closing date and time will be scheduled by the attorneys.

2 Days Before Closing - Pre-Closing Walk-Through

- This is the buyer's final visit to the property before completing their purchase. The purpose of the walk-through is to confirm that the property is in the **same condition** as it was when they made their offer. If there are any issues they will need to be addressed prior to closing.
- Normal wear and tear is expected and acceptable.
- Gas and Electric meter readings should be taken at the walk-through.

Day 45-60§ - CLOSING DAY!!! - \$\$\$

- Closing usually takes about 1 hour in the attorney's office.
- Instructions to the buyer for exactly what to bring and where to go will be provided in the days leading up to closing by the buyer's attorney.
- Sellers don't usually attend closings. They will have signed off beforehand.
- Buyer and seller should both remember to notify the following people and organizations that they have moved: post office, gas and electric companies, garbage service, phone, cable, and internet providers, banks, IRS and SSA, loan and credit card providers, shopping sites, employers, doctors, vets, clubs and charities, friends, and family.

Note: Gas and electric companies have the longest lead time to restart service after its been turned off. Ideally, these services should be transferred while they are still active. Sellers are only obligated to keep utilities on until the sale closes.

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