

What Is Closing Day for Home Buyers?

Closing day for home buyers is when their dreams materialize into reality. It's when they finally take legal ownership of the property.

On this memorable day, you'll be entrusted with the keys, giving you the freedom to step inside and transform the house into your cherished home. However, before these exciting milestones can be reached, there is essential **paperwork to sign** and financial transactions to complete.

And, in this article, we'll guide you through what to expect and provide insights on how to avoid last-minute closing day snafus.

What is closing day for homebuyers?

As we previously mentioned, closing day is when you take legal ownership of the home you're buying. It's sometimes called settlement day. That's because, in addition to signing and exchange of closing documents, all the parties settle the financial aspects of the transaction.

So, you'll hand over your down payment and all the fees and costs outlined in your **closing disclosure**, which you'll receive shortly before settlement day. The mortgage lender will pass over the funds you're borrowing. And the sellers will settle with the real estate agent(s) and any other parties they owe money to as a result of the sale.

Location

Traditionally, all the parties (buyer, seller, real estate agent and lender's representative) gather for a closing. This meeting may commonly be at the offices of a title agency or a specialist escrow company.

Regardless of the location, the title agency will be the closing agent and "**escrowee**." That's a neutral company that accepts and distributes funds. In some states and areas, your mortgage lender might also host the closing.

But, following the Covid pandemic, some closings happen remotely using videoconferencing and electronic signatures. That's at the discretion of the closing agency and state law, but you have the option to request a remote closing.

In some states (but not all), you can even close in your own home or some other convenient location. An attorney or notary attends to witness your signature. Unimaginatively, this is called a "witness-only" closing.

If you're unavailable, you could also give your lawyer "power of attorney," which allows him or her to act — including sign — on your behalf. But probably most home buyers still prefer to be present to sign the paperwork and receive the keys to their next home.

Timelines of closing day for home buyers

The closing "ceremony" (by then, you may feel as if you've run an Olympic marathon) typically takes only an hour or two. Of course, that assumes you've brought along all the necessary documents (as outlined below), the money is lined up, and there are no last-minute snags.

However, the timeframe between the acceptance of your home purchase offer and the actual closing date is less predictable. Assuming you need a mortgage, you'd be lucky to close in less than 30 days and less fortunate to close in more than 60 days.

For mortgage borrowers, the actual duration will mainly depend on a range of factors, such as:

1. **Complexity of your circumstances.** For example, the process may take longer if you're self-employed and have an intricate web of income sources.
2. **Home inspection findings.** Whether your **home inspection** uncovers defects in the property and how long it takes to repair those. You have the option to negotiate a purchase price reduction and schedule repairs after the closing.

3. **Workload of key players.** The efficiency of your lender and other professionals involved in the home loan process, such as **appraisers, title companies**, and inspectors, can impact the speed of your closing.
4. **Communication.** Timely responses to inquiries from your lender can help prevent delays. Avoid becoming a bottleneck in the home buying process.
5. **Proactive Monitoring:** While you don't want to call your mortgage loan officer every day, you do need to know of any hold-ups. If, for instance, your lender is awaiting a document from your employer, reach out to your HR department to expedite the home buying process.

You're not alone if you underestimate your ability to expedite your own closing day.

Mortgage loan super-tip

When you submitted your loan application, your lender initially based your mortgage loan terms on your credit score. However, it's common practice for mortgage lenders to routinely recheck your score in the days leading up to closing.

If your score has fallen appreciably, you may have to pay a higher mortgage rate or increased closing costs. In severe cases, you might even see your financing withdrawn.

So, make sure you diligently maintain your credit score right up until closing. Pay all your bills on time and don't run up your credit card balances.

As importantly, don't open new or close existing credit accounts. While you may be eager to furnish your new home, it's better to wait until after the closing if you don't have the funds readily available.

How do you prepare for closing day?

Yes, preparing to move homes is undeniably a busy endeavor. You've boxes to pack, utility accounts to change, and potentially school arrangements to make.

But please don't let that stop you from carefully reading all the important documents you'll receive prior to closing. Failing to do that could cause problems down the road.

For example, suppose there's a simple typo that misspells your name, the address of the home, or anything else material. Rectifying such mistakes after the signing and registration of your **title** can be a time-consuming and arduous process.

Title insurance

Failing to carefully read your **title insurance** documents could be even more dangerous. Title insurance protects you from unknown ownership or third-party usage claims on your next home.

However, it's crucial to note that this protection only applies to claims that were previously unknown. Any *known* claims revealed by the title search will be listed on the document. And you won't be protected against those.

So, for example, if someone knocks on your door demanding to keep a tractor-trailer on your driveway, and their right to do so was shown on your title insurance, you'll be on your own.

You'll either allow that usage or fund your own legal resolution.

Closing day for home buyers: closing disclosure

You'll get a closing disclosure at least three working days before closing. You should immediately read it and compare it with your **loan estimate**.

The loan estimate is the document your lender sent you as its quote when you first applied for your mortgage loan. It lays out the terms of its offer in considerable detail.

If something significant has changed since then, it may have sent you an updated estimate. You need to make a side-by-side comparison of your latest mortgage loan estimate with your closing disclosure.

The two should be very similar indeed. And your mortgage lender must justify any differences.

If you identify substantial differences that are not in your favor, it's imperative to call your mortgage lender immediately. This is your last chance to iron out any issues before closing.

Cash-to-close

You'll find your "cash-to-close" amount at the bottom of **page 1** of your closing disclosure. As the name suggests, that's the exact sum you'll need to pay on closing day.

You may take along a cashier's check or certified check for that amount. Give your bank notice so it can prepare one.

Or you can conveniently wire the funds to the closing agent through an electronic transfer.

If you opt for a wire transfer, make sure the money will be cleared in the closing agent's account well before closing. You can't take ownership of the home until the funds are received.

You almost certainly won't be able to pay in cash, meaning banknotes. Modern money-laundering laws make that very difficult.

Contact your closing agent

It's not a bad idea to call or email your designated closing agent once you know who they are.

And ask them for advice to make the closing day go smoothly. They will often provide a helpful checklist of what you need to bring along and perhaps what to expect.

Additionally, if you're transferring funds electronically, you'll need the closing agency's bank account details. If you're using a cashier's or certified check, you'll need the payee's legal name.

Final walk-through

The day before closing or around then, you'll have the opportunity to conduct a final walkthrough of the home you're purchasing. Take advantage of that opportunity.

You want to make sure the home's condition hasn't deteriorated and no new issues have developed since your initial inspection. It should align with the representations made by the seller and the seller's agent.

If the seller has agreed to carry out repairs or other work, this is your chance to make sure everything has been completed satisfactorily. If the work was technical, you could bring along an expert to ensure it's been done properly.

Closing day must-dos

The three golden rules of a closing day for home buyers are:

1. Prepare — Follow the advice in the previous section
2. Turn up on time
3. Bring along all the paperwork you're going to need, including a cashier's or certified check if you've not already transferred the funds electronically

Your closing agent, mortgage lender and real estate agent may have asked you to bring particular documents. Be sure to do that.

But, at a minimum, take along a:

- Government-issued photo ID
- Marriage certificate if you're buying jointly with your spouse
- Certificate or other proof of homeowners insurance for the property you're buying
- File of all the documents you have associated with the purchase and mortgage

Nobody ever delayed a closing by being too prepared or bringing along too many documents.

The hour or two you'll be there will mostly be spent listening to professionals explain things. And you'll have an awful lot of signing to do at that time.

What does a home seller need to do to close?

Sellers' wrists have an easier time on closing day. They need to sign only the title document and final purchase agreement.

But they need to bring along a pile of stuff, including:

- Government-issued photo ID
- Documents for the buyer, including any manuals for appliances and warranties for systems in the home (HVAC, wiring, alarms, etc.), along with any warranties for recent home improvements.
- Essential access items for the new homeowner, such as keys, alarm codes, garage door remotes, mailbox keys, etc.
- A cashier's or certified check to redeem the existing mortgage loan, if that won't be covered by the proceeds of the home sale

Again, it's better to bring along too much than too little.

The bottom line: Closing day for home buyers

Depending on the property market, there are millions of homes sold annually in America. In recent years, that's more than 20,000 closing days for home buyers each business day.

Most of these transactions proceed smoothly without significant issues. However, it's wise to remain prepared for any potential challenges.

You should always read through the documentation sent to you before closing. Query any errors you see (including typos) as soon as you spot them.

Ensure you carefully check your title search for any ownership or usage claims on the home. Finally, plan for your cash-to-close payment well in advance.

While these tasks may require your attention during a busy period, they are relatively straightforward.

So, resist the temptation to postpone any paperwork. The last thing you want is to have all your belongings packed and nowhere to go on closing day.