

MEMO TO REAL PROPERTY PURCHASER

The following memorandum is intended as a guide to closing title for real property purchasers. These reminders are generally applicable for almost all purchases. This is NOT intended to be exhaustive. After a closing has been set on your purchase of real property please contact our office to discuss the following items:

WHAT SHOULD YOU DO BEFORE YOU MAKE AN OFFER?

1. Check your credit history. (*Neither a borrower or a lender be. But if you need to be a borrower, get your finances in order.*)
Request a copy of your credit report. Know your credit score? Check to see what you can do to improve it. You may obtain a free credit report at www.freecreditreport.com. Some tips to improve your score: (1) eliminate any revolving accounts which you may have opened but do not use. (2) pay all bills in a timely manner for at least 90 days prior to applying for preapproval. (3) challenge any questionable items or those which may adversely affect you by contacting the credit agency directly. There are three major companies, TransUnion, Equifax and Experian . The creditor must respond to the credit reporting agency within a specific period. Know your score and know your rights. In today's mortgage market, good credit is essential.
2. Selecting a Broker and Negotiating through a Broker (*How's Your Poker Face?*)
All real estate brokers work for the owner of the property unless they are "Buyer Brokers" who must identify themselves as such. Therefore, whether your broker is the listing or selling broker, he or she is the seller's agent. As such, he or she is legally and ethically bound to disclose all pertinent information to the seller. Your broker may be very friendly. It's part of the job description. But don't give the broker your bottom line unless you want the seller to know it.
3. Posture yourself as the "best bet buyer". (*Hey, throw the ball to me!!!*)
Sellers want to know that a prospective purchaser is a sure buyer. If you can make a large downpayment, you are looking attractive. If you don't need a mortgage loan you are beautiful. Most people need a mortgage loan or want to take one for the tax benefits. If you don't need the loan and can buy the property all cash, you want to let the buyer know this. It will make your offer much more attractive. And just because you say you don't need a mortgage, doesn't mean you can't apply for a mortgage loan. It only means that the contract is not contingent upon your application for the loan and you must buy with or without the mortgage loan. Suppose you are among the majority of purchasers who need a mortgage loan to make your purchase. Although you may need a substantial mortgage, your offer can be still be the best if you can be pre-approved by a lender. This will show that you have the assets to make your purchase and the credit score to qualify for the mortgage you need.

PREPARING FOR THE CLOSING

1. The balance of the purchase price due at closing must be paid by bank check.

The remainder of the purchase price (above the amount which will be paid by you from your mortgage proceeds) must be paid to the seller or on the seller's behalf by by bank checks. Sellers will not accept your personal checks because the transfer of the deed is tantamount to transfer of ownership.

2. Bring your personal checkbook anyway.

The contract will provide that you may pay up to \$500.00 by personal check to cover adjustments for taxes, fuel oil, water (if applicable) and the like. So bring your personal checkbook to the closing. Often the final balance due to the seller may be difficult to predict as it may depend on variables that may not be known until you close.

3. Carefully inspect the property after the seller leaves and before the closing.

To insure that the property is in proper condition, visually inspect the property prior to the closing. This inspection generally is slated to occur within 48 hours prior to closing, depending upon the provision in your particular contract. This inspection is **essential**. The seller's guarantees regarding the condition of the plumbing, heating, and electrical systems of the premises and the roof and appliances will not survive the closing. Bring a clock radio with you to test electrical outlets. Turn on all faucets and let them run to test drains. Flush the toilets. Have seller show you how to work appliances. Look at the ceiling for water stains. Kick the tires!

4. Obtain a Homeowners' Insurance Policy.

You **must** have a homeowners insurance policy at the closing table. This policy will include two different types of coverage. First you will need hazard insurance to cover casualty losses such as fire and weather-related losses. Consider obtaining insurance which will guarantee the rebuilding of your premises in the event of its destruction. Your policy will also provide liability insurance to protect you in the event that someone is injured on your property. The importance of this insurance cannot be underestimated when you consider the legal cost of defending a lawsuit for injuries occurring on your premises and any money judgment which a plaintiff may secure.

BANK INDORSEMENT ON HOMEOWNERS INSURANCE

At closing your mortgage bank will request the production of a paid bill covering one year's insurance cost. Also the policy must contain an indorsement naming the bank as the first mortgagee on your homeowners insurance policy. Carefully review your commitment with regard to this provision. It will contain instructions regarding the exact wording of this indorsement and other instructions.

(6) **TITLE CLOSER'S TIP**

It is customary, although not mandatory, that you tip the title closer for his/her services. The title closer is the person who will represent the title insurance company at the closing. A customary tip is \$75.00 to \$100.00; however this is entirely within your discretion.

(7) **ALL PARTIES PRESENT**

It is essential that all purchasers and any co-signers on your mortgage note be in attendance at the closing. IF this is not possible please contact this office at your earliest opportunity so that we may attempt to make suitable alternative arrangements. Please be advised that many lending banks will not allow a closing to occur unless all parties are in attendance or a suitable power of attorney is accepted by the bank.

(8) **CLOSING COSTS - CERTIFIED FUNDS?**

Many closing costs including title and bank costs must be paid by certified or bank check. Unfortunately many of these costs are not known until 1 or 2 days prior to closing. Be prepared to make the time, a day or two prior to the closing to go to your bank for certified checks. Discuss the amounts of these checks with this office prior to closing. If your money is not liquid or semi-liquid (as in a money fund of some sort) make the suitable arrangements to have liquid funds at the closing. If your money fund makes funds available from out-of-state banks; know that these checks require a five day float if you intend to put them in a local checking account for use at the closing.

(9) **CLOSING COSTS - WHAT ARE THEY?**

Closing costs can generally be broken down into four categories:

- (a) Bank Fees
- (b) Mortgage Broker Fees (if applicable)
- (c) Title Costs
- (d) Miscellaneous Costs

The amounts and types of costs will vary for each closing. Contact your attorney prior to closing to discuss these costs.

(10) **ESCROW FOR TAXES AND LIENS**

Often banks and title companies will require the deposit of money into "escrow" to cover outstanding obligations for taxes or other liens against the property. Please be aware that all liens against the property or personal judgments against you must be cleared prior to closing. Taxes must be paid. Most banks will require these taxes to be paid in advance even though they are not due at the time of closing.

(11) **TRANSFER OF UTILITIES**

Arrange with the utility companies serving your area to have a final reading of the gas, electric and water meters and to have the accounts transferred to your name. Arrangements also must be made for telephone and any other services you desire.

(12) **PHOTO I.D.**

The title company will require you to provide a photo I.D. at closing. A driver's license or other photo I.D. will suffice. Please call your attorney if you do not have a photo I.D.

These instructions apply generally. Every closing is different so these must be discussed with your closing attorney to address your particular circumstances.