



# Homebuyer Education

## Section 7

### From Contract to Closing

Arranging Services and Legal Documentation

## **Time Reference Date for Inspections and Repairs**

- Oklahoma Real Estate Contracts include a Time Reference Date

## **Appraisals Protect the Lender by ensuring property is worth what you are borrowing**

- Appraiser is chose and scheduled by the lender
- Appraised value is based primarily on objective criteria

**\*\*Full appraisal: Appraiser must provide a comparison of at least three recently sold properties similar in size, age, and type to the property being appraised.**

## **Finding an Inspector**

- A real estate professional can often direct you to local inspectors

## **What to expect from the Home Inspection**

- It is always good to meet the inspector and go through the house with him/her
  - If your house is in the right age category
- If you cannot attend inspection, go over written report on the cover
- When you call to arrange the inspection, ask what they will cover

## What to expect of the home inspection

- If the serious problems represents major expenses you may want to cancel the sale
- If you have contingency to cover inspection expenses, buyer should arrange repairs
- You may go ahead with the sale regardless of the inspection
  - An inspector should check structure and mechanical systems
    - Structure
      - ✓ Foundation
      - ✓ Roof and ceilings
      - ✓ Doors and windows
    - Mechanical Systems
      - ✓ Plumbing
      - ✓ Electrical
      - ✓ Heating and air conditioning
      - ✓ Insulation and ventilation
      - ✓ Water and septic or sewer system
      - ✓ Appliances included in the sale
      - ✓ Moisture (windows, sheetrock, and foundation)

## **Inspection for termites is separate form home inspection**

- Must be done by a licensed termite inspector
- Cost is the buyer's and is usually included at closing

## **What to do with the results of the home inspection**

- If serious problems represent major expenses you need to cancel
- If you have contingency to cover inspection expenses
- You may go ahead with the sale regardless of the inspection

## **Energy Efficiency Ratings**

- Home energy can receive special treatment
- If house not rated, consider an energy rating inspection, if it will help your loan

## **Purchasing insurance: Requirements and options**

- Homeowner Insurance- required by your lender
  - You must provide verification of insurance prior to, or at, closing
  - Protect you from loss due to fire, theft, wind, and perils (not flood)
  - Covers you for liability
  - Covers the structure, interior, and personal property
  - Hazard insurance can be for full replacement or depreciated value of the loss

**\*\*Note: Amerind is an insurance product available to Native Americans with a CDIB card. Check with your tribal housing authority for additional information.**

## **Why You Need Insurance**

- No one can budget enough money in savings for major damage to property
- Liability/Medical insurance protects you in case someone is injured on your property

## Cost of Insurance

- Deductible
- Construction materials
- Distance to fire hydrants/to fire department
- Rating of fire department
- Location in the world

## Optional Insurance

- Isn't required because the lender isn't covered
- Title Insurance for the owner
- Mortgage Disability
- Mortgage Life
- Home Service Contract



# Getting Ready to Close the Deal

- ***Setting the Closing***

- The tentative date for the closing is part of the purchase contract
- Buyer has the right to choose where to close
- Title search must be complete and title must be cleared
- All inspections and repairs or adjustments must be made OR money to complete them must be escrowed
- Buyer must have satisfied any requirements of the lender
- Buyer must have proof of homeowners and hazard insurance

- ***Do a final walk through***

- Make sure property is still in same condition as when you made offer
- Make sure any repairs have been made



**When you complete your loan application advise the lender you want to receive you HUD-1 settlement Statement at least 24 hours prior to closing**

- Tells you how much money you need to bring to closing, if any
- You should compare the HUD-1 to the Good Faith Estimate you received

**You should confirm the form of ownership with settlement agent, as this affects the deed**

- Sole Ownership
- Joint Tenancy with right of survivorship
- Tenancy in Common

**Closing is meeting Between Seller, Buyer, and/org Representatives to Complete the Deal**

- Closing is not an informational or negotiating meeting
- Make sure you know everything you want to know BEFORE closing
- Appropriate questions at closing should relate to the documents are that you are signing
- Any changes in amounts from the settlement statement you received in advance of closing and the statement at closing should be challenged.

## When you Know Closing and Move-in Dates

- Determine what companies provide utilities & services
- Contact utility services: put in your name and have started on your move-in date
- If you were unable to go through house with home inspector get info on main controls

### Closing Day

- *Be prepared*
  - Closing Documents
  - The Mortgage
  - The Deed
  - Title Insurance
  - Abstract of Title or Title Report
  - Survey

# Valid Reasons for Canceling a Sale Contract

- Inspections and reviews are unsatisfactory
  - The seller cannot provide clear title
  - The seller breaches the closing
  - The property is appraised for less than the purchase price
  - The loan terms are unacceptable
  - A buyer with a conditional approval is unable to secure final financing
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- The seller must be notified of the reason, in writing, within time limits set in the contract
  - When contract is canceled for these reasons earnest money is generally returned
  - When a sale contract is breached for invalid reasons there may be serious consequences