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NEGOTIATING A SMOOTH CLOSING EXPERIENCE

A FEW THINGS REAL ESTATE AGENTS CAN DO TO HELP THEIR CLIENTS AVOID COMMON PITFALLS

by: Seth G. Weissman

While many closings happen smoothly, some real estate agents will, on occasion, also experience what they refer to as the closing from hell. When a closing does not go well, some real estate agents will blame the closing attorney. Such a response may, in some cases, be quite justified. However, in other instances, the reasons why closings do not go well are beyond the control of the closing attorney.

This article tries to give real estate agents a better understanding of the closing process and offers some tips on how some of the more common problems with closings can be diminished.

SCHEDULE A REASONABLE DATE
Scheduling of closings is done between the real estate agent, the lender and the law firm, with the lender having the final word. Parties should be realistic about their choice of closing dates to give themselves enough time to comfortably fulfill their contractual commitments. When buyers and sellers are rushed or don't have enough time to get everything as required by their contracts, their nerves are often frayed by the time they get to the closing table, making the likelihood of an unpleasant closing much greater. The date of closing should also be scheduled after the time period for inspections and any other contingencies in the contract have lapsed. Agents should also make sure that the closing date is not scheduled on a holiday or a weekend.

AVOID CLOSING ON THE LAST
DAY OF THE MONTH
Many agents schedule

closings on the last day of the month. Sometimes, this is done out of custom. Other times, end-of-the-month closings are arranged so that the buyer pays as little prepaid interest at closing as possible and less cash is required to close. Most lenders now allow a short pay if you close earlier in the month which eliminates the need for the buyer to pay interest at closing and, in fact, gives the buyer an interest credit at closing. But there are reasons, other than monetary ones, to avoid the end of the month.

Scheduling closings on the last day of the month is a lot like deciding to drive on the highway during the heart of rush hour. Sophisticated real estate agents long ago figured out that if a closing attorney has twenty closings on the last day of the month and three closings on a different day, their clients are more likely to get a problem-free closing on the less busy day.

The busier the closing calendar, the less flexibility most law firms have to

bounce back from delays caused by last minute problems. A problem with a closing in the morning of a busy closing day can negatively impact the closing schedule for the rest of the day. While many closing attorneys will try to move their closings to later in the day to lessen the time waiting in the attorney's office, agents, buyers and sellers can still end up being inconvenienced. Closing attorneys like to leave gaps in their closing schedules to address any last minute surprises that might arise. Unfortunately, since most closing firms report that they are currently busier than they have ever been before, and because agents and lenders often plead with the attorney to squeeze just one more closing into the schedule, this is hard to do on the last day of the month.

ENCOURAGE YOUR CLIENTS TO
DISCUSS LOAN PROCEEDS WITH
THE LENDER

Today, most lenders prefer to wire loan proceeds to the closing attorney

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on the day of closing. This is a relatively recent phenomenon. Lenders used to simply send a check to closing along with the loan package so that loan funds were always on hand at the time of closing. The problem with the wiring system is that it is impossible to predict when wired funds will actually be received by the closing attorney's escrow account and they are often not received by the time of closing. Many people believe that wiring is instantaneous but that is far from the truth.

Without lender funds, the closing must be pushed off. Everyone is frustrated when the closing cannot be disbursed on schedule. Some parties may be seriously inconvenienced, as when the seller is about to close on a new home. Unfortunately, many major lenders use the wiring system, so it looks like it might be here to stay.

In the rush of business these days, many lenders may not meet the requirement that the loan proceeds be available to the attorney at the time of closing. However, one thing you can do is encourage your clients to get some assurances from the lender in advance that the loan proceeds will be in the closing attorney's escrow account by the scheduled time of closing.

A ALWAYS CHOOSE A REPUTABLE MORTGAGE LENDER

Most consumers select a mortgage lender based solely on how low an interest rate the borrower can obtain. While the interest rate is obviously critical, working with a lender who can deliver the mortgage he or she has promised and get the

closing firm the information and funds they need to do the closing in a timely manner are equally as important. Therefore, real estate agents should encourage their buyers to use mortgage lenders with a good track record and reputation.

Also note that a reputable closing attorney will not close a loan where he or she suspects mortgage fraud. If a transaction smells fishy, share your concerns early with the closing attorney. While disclosure may kill the deal, better to know this early on in the transaction than after the house has been off the market for a long time and the parties are sitting at the closing table. Transactions in which large sums of money are going back to the buyer at closing or where the real contract is different from the one supplied to the lender, should cause mental alarm bells to ring that something may not be right with the transaction.

C COMMUNICATE POTENTIAL PROBLEMS EARLY ON TO THE CLOSING ATTORNEY

Good communication has always been the key to a successful closing. It is critical that the closing staff and closing attorney return phone calls promptly and have a positive, service-oriented attitude. It is also important for real estate agents to be good communicators of potential problems that can delay or derail the closing. Examples include sellers who are getting a divorce, sellers who may have to bring cash to closing, buyers who are looking for a way out of their contracts, and buyers and sellers who are fighting with each other.

When closing attorneys know that a

closing has the potential to be volatile, they can block out additional time to resolve any problems that might arise. Similarly, there are times when a closing attorney may ask a real estate agent for help on such diverse issues as locating an old survey, finding an unrecorded boundary line agreement, or getting the seller to resolve a problem with a federal tax lien. Helping in these situations can make all the difference between a successful closing and a failed transaction.

In the last few years, communication has greatly benefited from technology. Many agents, closing lawyers and staff and mortgage lenders spend a tremendous amount of time trading voice messages or playing phone tag. When something is not an emergency, consider using alternative means of communication as a time-saver. Sending messages via email or fax usually accomplishes the same result with less aggravation.

These are just a sampling of factors that can impact the quality of your closing experience. By having a thorough understanding of the complexities of the closing process and possible pitfalls inherent in it, you can better help guide your clients through it.

*Seth G. Weissman is an attorney with Weissman, Nowack, Curry & Wilco, P.C., a full service real estate and business law firm based in Georgia. He received his undergraduate degree from the University of Pennsylvania, a master's degree in land use planning from the University of North Carolina at Chapel Hill, and a law degree from Duke University. Mr. Weissman is general counsel to the Georgia Association of Realtors® and is the Editor of the Georgia Real Estate Law Letter. He is the author of **The Realtors® Red Book** — a best-selling reference book used by Realtors® in Georgia.*

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