



THE VALUE OF A THIRD PARTY CLOSING COMPANY

After homebuyers are approved to purchase property, they must make many decisions during the closing process. One of the most important decisions is who will handle the financial aspects of the transaction. The third party that is assigned to the task will have to properly allocate costs and cash proceeds to the parties involved. The third party involved will also provide guidance on strict state laws, compliance, and accuracy of financial information.

Every detail of the closing must be correct and reflect the intention of each participant in the transaction. This can be a very arduous task which involves the type of real estate transaction, potential issues that must be resolved, and handling large sums of money.

WHAT IS INVOLVED IN THE SETTLEMENT?

A great deal of documentation is required by lenders before a homebuyer can close on their property. Documents such as sales contracts, loan applications, buyer credit history, property appraisal, flood zone determination and the title search report.

Incurred transaction costs accumulate by the lender, seller and buyer throughout the mortgage process, which must be settled at the closing of the transaction. A multi-party financial transaction also occurs when the lender loans funds to the homebuyer and the homebuyer then “settles” with the seller by transferring the agreed upon funds to that party.

WHO CAN PROVIDE ESCROW/SETTLEMENT/ CLOSING SERVICES?

These companies are known as escrow closings in some western states, and real estate settlements or real estate closings in the rest of the United States. These are dictated by state law and can differ greatly from state to state. It can be title insurance companies, underwritten title companies, independent escrow companies, real estate brokers, attorneys and financial institutions.

Because title insurance and underwritten title companies act as a “disinterested third party”, they make a good choice in the transaction because they have no financial stake. They are an economical choice for the closing, and usually order the title search to make sure encumbrances to the title are resolved prior to closing.



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In order to effectuate a closing, the third party assigned to manage the process must:

1. Account for and make sure all documents are correct
2. In some states, draw the documents in order to convey the title
3. Receive funds, set up and hold those funds in a secure escrow or trust account
4. Review the instructions of all participants to the transaction and establish the appropriate steps to make sure all instructions are implemented at closing
5. Set the date and arrange for the place of the closing when all documents and funds are received
6. Provide an on-site closing representative to facilitate the closing transaction
7. Disburse funds as required
8. Ensure the timely recording and filing of all real estate documents
9. Final reconciliation of accounts

VALUE OF A THIRD-PARTY CLOSING EXPERT

For a people buying a home for the first time, it can potentially be one of the largest financial transactions they will ever have. Having an experienced and professional third-party closing expert managing the process enables a smooth and accurate closing that will properly reflect the intent of all participants in the deal. The seller and buyer can walk away from the closing table with assurance that their transaction was executed with proper due diligence, regulatory compliance and financial accuracy.

Contact your Ticor Title Representative for more info.

