

Avoid surprises at closing

By ALEX MASON | Green Shoot Media

Some things in life are a welcome surprise, and some people thrive with the feeling of “winging it.” A real estate transaction isn’t something you should do on the fly, though.

When you are buying or selling a piece of property, knowledge is power and answers are everything. All cards must be on the table from all parties involved to have a hassle-free and litigation-free transfer of property.

Hiring a quality real estate agent will help to cut down on the shocking surprises that may be too late to correct or cope with. Whether you are buying or selling, be sure you have a real estate agent at your side at all times if you want to avoid surprises.

TERMS AND CONDITIONS

When a buyer finds the perfect property, it is easy to approach the lending stage with blinders on. After all, we want nothing more than to secure the property and call it our own.

However, the fine print in the loan document can cause nightmares. Your loan contract is full of terms and agreements that, when breached, could result in the forfeiture of the home.

A qualified loan officer is there to serve you, breaking down all the terms and conditions into layman’s language. The borrower needs to understand what each loan product means in terms of repayment, interest rate, and the difference between a steady fixed rate loan and the often shaky adjustable rate loan.

The fixed loan rate will be somewhat higher than an adjustable one. However, this loan product is a safe guarantee that the monthly mortgage payment will



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When buying or selling real estate, hiring a good agent and educating yourself will keep you from running into deal breakers at closing.

never fluctuate and increase should future interest rates rise.

The adjustable rate loan may offer a lower monthly payment initially, but it can be a game of risk when the loan adjusts in two, three or five years to an unknown interest rate.

CLOSING COSTS

The buyer and seller need to be on the same page with the closing agreements and have everything put into writing. There are no valid verbal agreements in the real estate game, so be sure your buyer’s or seller’s agent has all the terms and conditions written in the contract.

Overlooked factors that could create chaos include a misunder-

standing of the escrow length, if the seller will contribute a portion towards the buyer’s closing costs, and what fixtures or furnishings will accompany the sale of the property.

Similarly, items in or around the property that are not welcomed by the new buyer must be removed from the property before escrow closes.

This may include a backyard spa, refrigerator in the garage or unwanted lighting fixtures inside the home.

PARTIES ON TITLE

Once a home is purchased, a title to the property will be issued to the new owners. In most cases,

a husband and wife will have both names added to the title. However, in some cases, the property title is going to be shared with another party that was involved with the purchase. This may include friends or family of the primary buyer, or anyone else they see fit.

Putting someone on the title to your new home may seem like a benevolent gesture, but buyer beware for complications down the road. A property may not be resold until all parties on the title have consented and sign for the sale.

When someone outside of the immediate family is listed on the title, there could be a tug of war as to when to sell the property, how much is the asking price and

REAL ESTATE 101

Caution: Trouble Ahead?

Be sure to reach agreement on these potential trouble-makers:

- Escrow length
- Seller’s contribution to buyer’s closing costs
- Which fixtures or furnishings will be included in the sale

a battle over the profit. In addition, parents who wish to put their young adult children on the title must proceed with caution.

A young person, particularly males between the ages of 16 and 24, are an extremely high risk to add to the title of a piece of property.

One reason comes down to the driving skills and high insurance rates for young male drivers. Should a young and inexperienced driver become involved in an auto accident, the injured party may sue for damages and walk away with your home. If the wayward driver is on the title of the home, the property is fair game with a lawsuit.

If you wish to ensure your young adult child will be handed the property after your death, simply get a will and state him or her as the beneficiary to the home. This is the safe and sane way to protect your property from auto liability and lawsuits while taking control of the situation.



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HOMESWISE GLOSSARY

escrow: funds held in an account to be used by the lender to pay for home insurance and property taxes. The funds may also be held by a third party until contractual conditions are met and then paid out.

contingency: a clause in a purchase contract outlining conditions that must be fulfilled before the contract is executed. Both, buyer or seller may include contingencies in a contract, but both parties must accept the contingency.

SOURCE: U.S. Department of Housing and Urban Development

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