

CONSUMER GUIDE: STEPS BETWEEN SIGNING AND CLOSING ON A HOME

Once you sign a purchase agreement on your new home, there are still several steps to complete before you can finalize—or “close”—the transaction. While the process differs in each state, here are the basics of what you can expect during the period between signing and closing:

What happens after I sign a purchase agreement? Once you have signed a purchase agreement, you will enter “escrow,” an arrangement that protects both buyers and sellers during real estate transactions. Escrow means that a third party controls payments between you and the seller in a separate account and will only release the funds once both you and the seller meet the terms of your agreement. An agent who is a [REALTOR®](#) can help you navigate this process.

What goes into an escrow account? Typically, a buyer puts money into the account to show they intend to close on the home, called “earnest money.” This may be a percentage of your purchase price or a set amount. The seller’s property documents will also be held in escrow by a designated person, such as an attorney or another agent. Once you close on the home, your money will typically be applied towards your down payment and other closing costs.

What do I need to do before I can close? If you are paying for your home over time, you will first and foremost need an approved [mortgage loan](#) before closing. Mortgage lenders typically require certain tasks be completed before close, such as a home appraisal and a title search which verifies the seller owns the home. Lenders may also require that you purchase homeowner’s or other types of insurance. Homeowner insurance is important because it will cover you for unexpected losses at your home, which can help you repair or rebuild after damage, replace your belongings, and/or cover medical expenses if someone is injured on your property. You may also want to consider other types of insurance, such as mortgage, flood, or title insurance, depending on your circumstances. If your down payment is less than 20%, you may be required to have mortgage insurance as well.

What is an appraisal? A home appraisal is a professional opinion of a home’s value by a [licensed or certified residential appraiser](#) that helps the lender ensure the purchase price is in line with the property value. Your purchase agreement might have a “contingency” on an appraisal—a condition that the market value and purchase price must align in order for the transaction to continue. A mismatch between a home’s appraised value and the purchase price could impact how much your lender allows you to borrow for your mortgage. Some lenders also have appraisers verify certain things like chipped paint or hand rails to ensure the home is safe. If you are not using a mortgage and are paying for a home “in cash”—money you currently have available—you still may make your offer contingent on an appraisal or do one independently, but it is not required.

Do I need an inspection? While not required, some buyers include a home inspection as a contingency in their purchase agreement. An inspection protects you from costly problems you may not have noticed until after moving in. An inspector will look for potential problems throughout the interior and exterior of the home, which could include tests for radon, lead paint and asbestos. Your agent can help you [find a trustworthy inspector](#) and determine which type of inspection will work best for you.

How long will all this take, and when can I move in? These steps may take several weeks or more depending on your situation. Each part of the process operates on its own independent timeline, so the length of the process is influenced by many factors, such as when you schedule home inspections and how long it takes for your mortgage application to be approved.

What happens at close? You can expect to sign documents, exchange keys, and bring your cash to close—the amount of which can vary depending on your down payment, credits, and other fees for things like the inspection, loan processing, or costs related to purchased insurance policies.

Practices may vary based on state and local law. Consult your real estate professional and/or an attorney for details about state law where you are purchasing a home. Please visit [facts.realtor](#) for more information and resources.