Fidelity National Title

The Value of a Third Party Closing Company

WHEN HOMEBUYERS ARE APPROVED to purchase a property, they are bombarded with a great deal of information and must make some very important decisions as part of the closing process. One critical decision is determining who will handle the financial aspects of their real estate transaction to ensure all parties are properly allocated their portion of the costs and receive accurate cash proceeds.

What sounds like a simple accounting process, however, can be immensely complicated depending on the state, the type of real estate transaction and the potential issues that must be resolved before closing can occur. Not only must this assigned third party handle and manage potentially large sums of money on behalf of the parties to the transaction, but they must also make sure every detail of the closing is correct and accurately reflects the intention of each participant.

WHAT IS INVOLVED IN THE SETTLEMENT?

Before a homebuyer can actually close on his/her property, a great deal of documentation is required by the lender and includes everything from the sales contract and loan application, buyer credit history, property appraisal and flood zone determination to the title search report.

Throughout the mortgage process, the lender, seller and buyer incur costs associated with the real estate transaction that must be "settled" at the closing. 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?

The kind of company that can manage this process - called escrow closings in some Western states and real estate settlements or real estate closings in the rest of the U.S.- is dictated by state law and can vary a great deal from state to state. It can be title insurance companies, underwritten title companies, independent escrow companies, real estate brokers, attorneys and financial institutions.

In most states, title insurance and underwritten title companies are a good choice since they have no financial stake in the real estate transaction itself and can act as a "disinterested third party." Since these firms usually order the title search and make sure all encumbrances to the title are resolved prior to closing, they are an economical choice for also managing the entire closing process.

WHAT SERVICES ARE PROVIDED

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

THE VALUE OF A THIRD-PARTY CLOSING EXPERT

For most people, buying a home is one of the largest financial transactions they are involved in. They want to be confident that every aspect of the closing process is handled professionally and precisely. Having an experienced, disinterested third-party closing expert managing the process enables a smooth, accurate closing that will properly reflect the intent of all the participants to the deal. Both the seller and the buyer can walk away from the closing table with assurance and peace-of-mind that their real estate agreement was executed with the proper due diligence, regulatory compliance and financial accuracy.