

When Is It Safe To Pack?

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Yogi Berra once coined the popular phrase “It ain’t over ‘til it’s over.” He was talking about baseball, but he just as easily could have been talking about real estate.

Ask anyone who’s bought or sold a home when they finally were able to breathe a sigh of relief and they’ll probably tell you “the day escrow closed.”

That’s because, for the average lay person, who may only get involved in a real estate transaction three or four times in their entire life, the whole escrow process can be overwhelming, mysterious, frightening, puzzling, and nerve-wracking.

It can cause grown people to cry, sweat, hyperventilate, scream, and act quite out of character...and often all in the same day.

Nevertheless, usually not more than a few seconds after the ink is dry on the contract, the buyer or seller will say to their agent, “Okay, so when should I start packing?” In other words, when can I consider it a ‘done-deal?’

As Yogi said, there really are no absolutes. Strange things can happen at the last minute. Bizarre once-in-a-blue-moon type of occurrences can take place without warning. But those are extreme exceptions.

Usually, if a real estate sale is going to fall apart and both parties are represented by experienced real estate experts, there are several fairly predictable times during the escrow process where it might happen.

After the contract is signed, the first hurdle is usually the disclosure process. A few days later, the seller provides the buyer with a series of forms disclosing what the property includes and identifying any problems or flaws that may exist.

Often, by the time they write the purchase contract, the buyer has really only been in the home for maybe 10 to 15 minutes altogether. In some cases it’s even less.

They may have noticed the updated bathroom counters and new kitchen cabinetry, while at the same time overlooking the inoperable lawn sprinklers or the water stains on the ceiling.

The seller’s disclosures points out many of all the property’s shortcomings -- at least those that they’re personally aware of. If anything is particularly worrisome to the buyer, they can address it right away.

Rarely is something disclosed that causes the buyer to back out of the deal. But occasionally it does happen. For example, I remember a situation several years back where the buyer learned that a house several doors down the street was inhabited by drug dealers (including an ex-convict). As soon as the buyers, who had several young children, read the disclosures, they opted out.

Often, though, the disclosures point out items that the buyer may already be marginally aware of or which they can have inspected. Which brings us to hurdle number two: the inspection period.

In the standard contract, the buyer has 10 days to complete all inspections. However, due to the heavy workloads of the inspection companies in our area, many contracts are negotiated so that the buyer has 15-20 days to perform these inspections.

The most common types are termite inspections, roof inspections, and general home inspections. With each, the buyer receives a typed report, giving them a blow-by-blow evaluation of the area of the home that was inspected.

By the time the buyer have gone through the disclosure and inspection periods, they have a much clearer understanding of exactly what they're buying.

It's also usually at this point that the buyer puts together an addendum addressing any items of concern that were discovered during the inspection process. Perhaps the garbage disposal, air conditioning system and electrical wiring are in need of repair. Or maybe the roof is beyond its useful life.

All of these items are presented to the seller. If they're fair and reasonable, the seller often agrees to correct them. If they're excessive, nit-picky, or if the buyer has already received substantial concessions, then the seller may say no.

Usually, the two come to a meeting of the minds. Occasionally, though, both parties dig in their heels over a serious concern. If neither is willing to budge, then the deal can fall through. It doesn't happen all that often. Rarely do buyers and sellers let a \$200 or \$300 repair stand in the way. But if it's a large amount – say several thousand dollars – then things can get a little dicey.

And even if one party says no at first, usually they ultimately either agree to split the difference or one of them stomps, curses, and swallows their pride then agrees to take care of it.

After the inspections and subsequent negotiations are completed, there's usually one final major hurdle to clear. And that's the buyer's loan.

While the inspections were underway, the lender was gathering verifications and other documentation as part of the loan approval process. By this time, they've probably already either scheduled or completed the property appraisal.

The appraisal verifies that the house really is worth what the buyer is paying. And, depending on the type of loan, the appraiser may also have to perform a series of health-and-safety checks to make sure that the house doesn't have any serious flaws.

Although this is not as intensive as a full home inspection, any conditions noted on the appraiser's report must usually be corrected before the buyer gets the loan.

At this point, let's assume that the disclosures didn't raise any deal-crashing issues. And let's assume that the buyer and seller came to a meeting of the minds on any items discovered during the inspections. And let's also assume that house appraised and buyer has received formal loan approval.

If you haven't already begun, this is the time to start packing. For, when you reach this stage of the escrow, you've crossed the most common hurdles. Now, of course, every escrow is different. So don't take this to mean that you're absolutely, positively home-free.

If the sellers are going through a bitter divorce and one spouse is threatening not to sign the closing papers, then you may not want to pack everything just yet. Or, if the buyer suddenly gets word from his employer that he may be transferred by the end of the year, then you may want to hold off from wrapping your fine china.

Normally, though, if there aren't any major issues still left to resolve, by the time you reach this stage of the escrow, if both parties are using experienced real estate professionals, it's a pretty safe bet that escrow will close. Oh, there may still be a series of loose ends to tie up. And before escrow closes you may even shed a few more tears or endure a few more sleepless nights.

But barring a bizarre turn of events, you've probably already cleared all the major hurdles. Yes, it ain't over yet...but, then, most managers would take a 7-0 lead heading into the ninth any day.

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