

Feature Story

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Closing the REO Sale

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The worst thing a closer can hear is “we aren’t ready.” It’s like when you are waiting for a significant other to get ready before a night out on the town. You don’t want to wait, but you have no choice. Delayed closings cost the seller time and money, as well as creating extra work for everyone involved.

Title issues, lender delays and buyer confrontation are the three primary problems we, as closers, run into when coordinating a closing.

Three primary responsibilities of the closer are to ensure the accuracy of the vesting on the deed, verify the figures are correct on the HUD and to match the wire confirmations to the HUD and accounts. Below I will discuss the issues that affect all three aspects of REO closings as well as solutions to avoid postponed and terminated closings.

Title complications are the first roadblock that will arise when trying to close an REO property.

Common problems include properties going through the foreclosure process incorrectly, properties being vested to the wrong entities or properties with prior liens or prior mortgages on record. In order to avoid these obstacles and a delayed closing, be sure to order the title at the beginning of the process and review the report immediately upon receipt. The closer will need to address any vesting issues with the foreclosure attorney and have them gather the necessary documents to correct an invalid foreclosure if necessary.

Although having title vested to the wrong entity and prior liens are the most common title issues, smaller issues also exist for most REO properties. These smaller issues include breaks in the chain of title or incorrect lot numbers on the legal description causing an entire new survey to be completed in order to cure title. This is where ordering the title at the beginning of the process comes into play. As soon as the title report is received, it must be reviewed carefully so that these issues are caught upfront and do not delay the closing.

If the recording of a sheriff’s deed is holding up the closing, obtain the original and record it at the closing. If you cannot obtain the original sheriff’s deed, you must wait until the county records it. Some counties are back-logged up to a month or a couple of months, so it is necessary to make sure the buyer is willing to wait and to extend the contract accordingly before closing.

Lender approval delay is the most common issue I encounter as an REO closer. Whether its buyer qualification or the FHA lender is requiring repairs to a property, issues arise on nearly all financed deals. Along with closers, lenders get bogged down at the end of the month.

A way to avoid any problems is to schedule the financed closings for the beginning or middle of the month. Constant follow up and interaction with the lender, agent and buyer will ensure each party is on the same page and there are no surprises.

If there are lender-required repairs that must be completed prior to closing, work with the listing agent to get repair bids and make sure the repairs are being completed in a timely fashion. When repairs are complete, confirm it with the lender so the work may be re-inspected and approved immediately. This will help to avoid further delays.

Another way to ensure a timely closing on a financed deal is to request and obtain the mortgage commitment at the beginning of the process. This will allow you to assess the buyer and the property conditions necessary for approval. When following up with the lender, the agent should also ask detailed questions about buyer cooperation. Any issues with buyer response can then be addressed immediately, rather than before the scheduled closing date.

The last concern in the closing process is getting the buyer to the table with their money in hand. Some excuses may include the buyer does not have enough funds to close, the buyer will be out of town and needs to extend, or the buyer wants concessions to help pay for closing costs. All of these issues should be addressed during the negotiation process, before the contracts are signed.

Buyer's bank statements, pre-approval and mortgage commitment must be reviewed carefully before accepting an offer. If the closing has been set and the buyer becomes hesitant, all parties should be aware that they may be charged more money for delaying a closing or potentially lose their earnest money deposit.

In conclusion, delayed closings can cost everyone lost time and money as well as high levels of frustration. In order to reduce the amount of delays, constant follow up and communication are critical. Throughout the extent of the under contract period, the more information you can gather from the foreclosure attorney, lender and agents, the more prepared you will be for any setbacks. It's best to keep in constant contact and be prepared for anything.

As a closing specialist at Keystone Asset Management, Brian Kelleher works closely with the seller's closing attorneys and listing agents.