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## How Long Does It Take to Close on a House?

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Many readers time and time again ask the following question: "How long does it take to close on a house?" What makes this question so frustrating is that there is not a one-size-fits-all answer.

### Timelines

The average time it takes to close on a house is a hotly contested topic, since the timeframe varies on an individual basis. Most realtors state that the average time it takes to close on a house that is purchased with financing is about **45 days** with an average range of **30 to 60 days**.

Paying with cash does cut out the financing time frame and any possible hassles or requirements from mortgage lenders, such as the loan process and the lender required and lender approved property appraisal. The average cash home sale is about **20 days**, with an average range from **14 to 30 days**.

Special house purchasing situations, such as short sales, which is when the house sells for less than what is owed on it, can often take **45 to 60 days** or even **90 days** or longer in some cases. Incidentally, most Real Estate Owned (REO) homes, or homes that were foreclosed on and repossessed by the institution lending the mortgage, can close with similar times to regular homes on the market—about **45 to 60 days**. Some realtors state that certain lending institutions may take **60 to 90 days** on REOs. Realtors report that more paperwork and a longer escrow are often involved and the lending process can be much more scrupulous for these types of home sales.

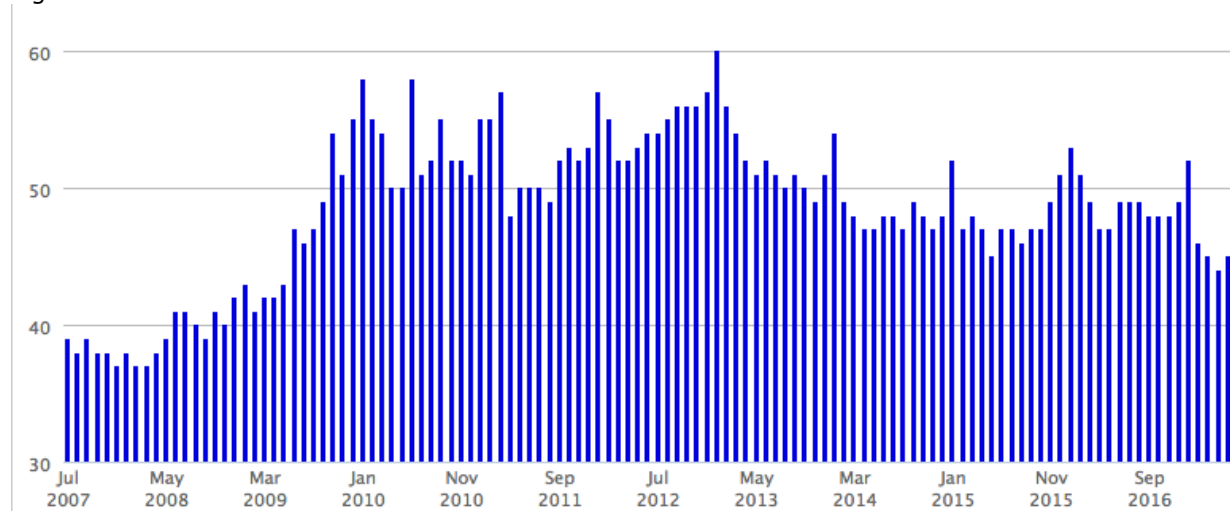
On the mortgage end, Ellie Mae, a software company that handles nearly a quarter of U.S. mortgage applications and which releases an annual Origination Insight Report about loan trends, shows that as of June 2017 the average time it takes to close on a purchase loan is **43 days**, with **41 days** the average for refinance loans. Analyzing reports from June 2012 through the latest June 2017, the average time to close a purchase loan is just shy of **45 days**, also the average time most realtors report it takes to close on a home. Figure 1 shows that most of the closing times are near the average **45 to 50-day** range.

Fig. 1

	Month	All Home Types
1	Jun 2017	46 Days
2	May 2017	45 Days
3	Apr 2017	44 Days
4	Mar 2017	45 Days
5	Feb 2017	46 Days
6	Jan 2017	52 Days
7	Dec 2016	49 Days
8	Nov 2016	48 Days
9	Oct 2016	48 Days
10	Sep 2016	48 Days
11	Aug 2016	49 Days
12	Jul 2016	49 Days

Figure 2 is a column chart that shows the average contract to settle period for all home types in the Mid-Atlantic Region for the past 10 years. Regulations have increased for financial and mortgage lending practices since 2008. As a result, the time it takes for mortgage loans to close has increased by roughly 5 to 10 days since 2008.

Fig. 2



The closing period is defined as the time period when the buyer and seller are in mutual agreement and have both signed the Purchase and Sale Agreement (PSA) until the completion of all contingencies and settlement of the contract. A contingency is the legal right for either the buyer or the seller to end the contract if certain pre-negotiated circumstances are met.

The actual closing meeting involves signing a settlement statement with all costs from the sale, documents transferring property of ownership (for the seller), signing the mortgage note and deed or trust securing the note, and paying all escrow and any other fees. **The closing day often takes an average of 2 to 3 hours, although it may take even longer.** Once all of this is done, the buyer will walk away with the keys and ownership to his or her new home.

It is recommended to schedule your closing day about 5 to 10 days before the end of the month, in case the date is extended. This way, you will avoid paying additional interest and possibly other fees such as homeowners insurance that would be incurred if the closing date were to fall into the next month.

## Potential Roadblocks

### Title Issues

The title company reports on the condition of the title and provides this information to whoever is submitting that transaction, usually escrow. Many realtors say that the title can take between 7 to 15 days for the title company to clear, although it could take longer. A "cloud" on the title of a home, which is any claim, lien, encumbrance, or document that hinders a title's ability to be transferred or makes the ownership dubious, will impede the closing time.

Tax liens on the title can result in lengthy delays, since the taxes or past due fees will need to be paid, although tax liens may fall off after 90 days. Sometimes multiple owners may lay claim to a title, which can result in delays in clearing up ownership issues.

It is a wise idea to include a clear title contingency in your PSA if you are planning on purchasing a home. Be sure that any issues with the title can either be fixed by your title and escrow company or will be covered by your title insurance, unless you are sure you want to assume responsibility for them. Buyers or sellers can also satisfy any liens or fees with closing proceeds to expedite the title clearance process.

## Escrow Issues

Escrow is the one-stop-shop and referee in the closing process that collects everything from all parties, including money, all documents, legal issues, and the signing and transferring of property from the seller to the buyer, and works with the buyer, seller, lender, real estate agent, title company, and attorneys. One of the biggest hindrances in escrow is when the lender delays in processing the loan for the buyer, since escrow handles the loan documents.

A common delay in cash deals is when the realtors fail to provide escrow with contact information for the buyers or sellers, since escrow must be in communication with all parties. Delays of documents, errors in documents, scheduling issues, and parties that are in different locations can all be causes of delay.

## Finance Issues

The loan process takes roughly the same time frame as it takes for the home purchase transaction to close, about **30 to 45 days**. There are myriad financial reasons that may cause lags.

Delays in mortgage processing time are a key component of most setbacks. This can include if the lender spends additional time underwriting, approving, and/or processing the loan or if the lender has to do research or get additional supporting documentation to underwrite the loan or satisfy loan contingencies.

The type of loan program can also slow down processing. Government issued loans can take a few days longer to close, including VA, FHA, or USDA loans. USDA loans can take around 60 or 90 days to close. Lenders are often more stringent on the home inspection and appraisal for VA loans and any zero-down payment loans, which increases the closing timeline.

Most lenders say it is best to get pre-qualified, also known as conditional or underwritten approval, before shopping around for homes. Pre-qualification involves getting all documents verified by a lender and underwritten, although the conditions are still subject to appraisal, title clearance, and other contingencies.

In contrast, automated pre-approval for a loan from an online source will still need to be further reviewed and underwritten with supporting documents by a lender. This is because the information was provided online by an automated approval system but it has not been manually underwritten and verified in-person by a lender.

Manual verification of loan supporting documents can take anywhere from 5 to 10 business days depending on how quickly a lender can do it. Lender pre-qualification can shave about 5 days to as much as 2 weeks off of the closing process.

Anything that the loan underwriters deem questionable, such as if the buyer is unable to verify all sources of income for the past 2 years, will often mean requests for additional documentation by the lender, which could slow down or even halt the process. The buyer's financial profile, credit qualifications, and any material changes (alterations in one's credit, financial, employment, or relationship status) all affect loan processing times and may even require changes, reissues, or revocations of a loan. The buyer also may not be able to meet all lender required contingencies in the PSA.

## Home Inspection Issues

The home inspector, who is usually hired by the buyer, performs a noninvasive, roughly 2 to 3-hour examination of a house and issues a thorough, approximately 60 to 90-page, report at the end of the inspection with recommendations for work orders and repairs. The PSA often has a home inspection, or due diligence, contingency which allows the buyer the right to have a home inspection performed and the right to negotiate repairs or cancel the contract based upon the home inspector's findings. A

pest or termite inspection and other specialized inspections, such as septic or well water, may also be required.

The buyer often has 10 days within mutual acceptance to complete a home inspection before it is waived and must inform the seller in writing of any problems with the house within 3 days of the inspection. The inspection process can take a week to 10 days to schedule and then another week or two depending on negotiations. Realtors that I spoke with stated that home inspectors almost always uncover something wrong with a house, but around 75 percent of home inspections turn up things that are not large issues.

Repairs can be negotiated between the buyer and seller. Either the seller can perform the repairs or the seller can give the buyer a discount on the purchase price or other incentive, such as a tax credit, so that the buyer can perform the repairs themselves. Sometimes the home will not close if there cannot be an agreement on repairs or inspection issues eliminate the house from being financed.

One of the biggest delays on closing are work orders required from the home inspection since licensed and bonded contractors must be hired to complete the job, which can take time with scheduling. If one or more work orders are issued, then count on postponing the process significantly.

If repairs are completed during the closing, then an additional inspection may be necessary. It is usually faster for the buyer to receive a discount or other incentive from the seller and make the repairs on their own terms, with their own trusted repairperson.

### **Home Appraisal Issues**

The home appraisal is a contingency in loan agreements. The house qualifies for the loan during the appraisal process. Under the appraisal contingency, the buyer usually has the option to back out of the deal if the home appraises for less than the amount of the loan, since lenders cannot legally lend for a house that is worth less than the amount of the mortgage.

Often, lengthy renegotiations on the home's price or additional appraisals ensue as a result of a lower appraisal than the home sale purchase value. A lower home appraisal may affect the loan and result in a new loan, revocation of the loan, or the seller walking from the deal. Homes that are appraised as less likely to sell than other comparables in the area may be less likely to be funded.

An appraisal is performed after a home inspection to determine the home's market value, not necessarily the condition. Sometimes, if an appraiser finds an issue with the house that the home inspector did not, another home inspection may be required, and then another appraisal. The appraiser will not let the lender approve the loan if there is something wrong with the house, which is why a second inspection and possibly even a work order and then a second appraisal may be required.

It can take 1 to 2 weeks to schedule an appointment with an appraiser. The appraisal process can also last from 1 week to 10 days to complete, depending on the property. It is best to make appraisal appointments as early as possible to speed up the closing process. Government appointed appraisers often take longer, up to 30 days, to appraise a property, adding to the time for a government loan to close.

### **Insurance Issues**

Waiting until the last minute to obtain homeowners insurance and title insurance may defer the closing since homeowners insurance must be purchased in advance of the sale, usually with the date specified by the lender, or else the loan and settlement cannot proceed. Some insurance companies state that insurance must be purchased 10 days before closing, although each lender is different. It is best to purchase or begin looking for homeowners insurance once you have successfully completed the appraisal.

Sometimes a home is deemed uninsurable. This can be remedied by performing necessary repairs prior to closing or clearing up title related issues. However, truly uninsurable properties may necessitate the need for the buyer to back out of the contract under the insurance contingency.

## **Personal Issues**

Personal issues often include scheduling conflicts from any of the parties involved. One common delay is if the buyer and/or the seller plan a trip around the time the house will close, as this can make sending the necessary documents difficult and may cause lags.

Move out dates for either party, such as if the seller or buyer cannot move out of their house by the closing date, can also lengthen the closing time. The timeline for the seller purchasing a new home or the buyer selling their current home can also postpone the process. Delays, omissions, or changes to the buyer's or seller's contact or other information or delays in providing additional documents may also add time.

## **Other Issues**

Time of year is a factor because it will take longer to close during the holiday season because of fewer business days. Errors in documents, lengthy international money transfer timelines, long-distance working relationships, and differences in transaction times all may cause lags.

The seller can also delay the process by failing to meet certain requirements, such as failing to make repairs, schedule inspections, or provide proper documentation. A bad walkthrough 24 hours before the closing day can lengthen the closing time since what the seller failed to address in the home must be remedied.

## **Final Thoughts**

You are the advocate for your transaction, so make sure to do your due diligence before closing. All contingencies can be opportunities for negotiation or effectively leaving the contract, should you so choose. Bear in mind that negotiations take time, as do any contractual changes, which require lending review periods and new forms.

By scheduling your home inspection and appraisal appointments as soon as possible and responding promptly to all requests by the lender or others, you can speed up the closing process. Some realtors recommend scheduling the appraisal before the home inspection to speed along the lending process. Others recommend scheduling the inspection before the appraisal to address any issues with the home and repairs first before the home's value is assessed. Do what order is best for your particular situation and remember that it is always a good idea to have a home inspection so you are aware of any problems with the property.

Be sure to keep communication open by asking questions and addressing concerns. The squeaky wheel gets the grease, so ask if the process can be sped up. Try to keep in weekly contact with the lender and your realtor, as well as any other key components. Staying in your lender's or any of the other key parties' orbits will ensure that you are in the forefront of their mind and to-do list and may speed along the process.

The closing process can be shorter than 45 days if the buyer pays cash or is 100 percent pre-qualified, the house is in perfect move-in condition and not in need of repair, the appraisal is good, there are not any scheduling delays, and there are no title or escrow problems. A good rule of thumb is to think of your closing date like a due date for a birth delivery: the baby could come on time, but it could also come early, or sometimes, late.

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I conducted interviews of 2 realtors, 1 loan officer, and 1 escrow agent, all of whom wish to remain anonymous.

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