



WELCOME!

Congratulations on your decision to purchase a property! Although getting an offer accepted is a major step and the “beginning of the end,” there are several milestones and deadlines that must occur before you are finally handed the keys and deed to the property. Please look through the enclosed packet to educate yourself generally about a residential real estate transaction from the Buyer’s perspective.

Before you begin, you should be aware of a few quickly approaching deadlines that are in a typical Buyer’s transaction, all counted from the “Acceptance Date” or “Effective Date” of a contract—that is, the date that the Seller officially signs and dates an identical copy of the formal written offer from the Buyer. In order to maximize your likelihood of success, please keep these very early deadlines in mind and find your professional support team as early as possible:

- **5 Business Days: Attorney Review/Modification Deadline.** It is critical that the attorney you hire receives the fully executed contract quickly—even before you schedule a home inspector. In an emergency, the attorney can typically request an extension to allow for more time to get an inspector into the property. Ideally you should find an attorney PRIOR to submitting an offer so that you can include the attorney information on the signature page of the contract.
- **5 Business Days: Inspection Deadline.** Find a home inspector before you submit an offer, and once accepted, send in a home inspector within 1-2 days. This is especially true if you plan to conduct a radon test, as it takes several days to get the results.
- **5 Business Days: Mortgage Application Deadline.** It is important that you find your lender PRIOR to submitting an offer so that you can include its information on the signature page of the contract.
- **10 Business Days: Appraisal Order Deadline.** Most form contracts require a Buyer to request that the appraisal for lending underwriting be conducted within this timeframe.

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Please be aware that this packet is for general educational purposes only, and individual situations may vary. Contact our office today if you wish to retain our services and receive specific legal counsel on your particular transaction.

Sincerely,

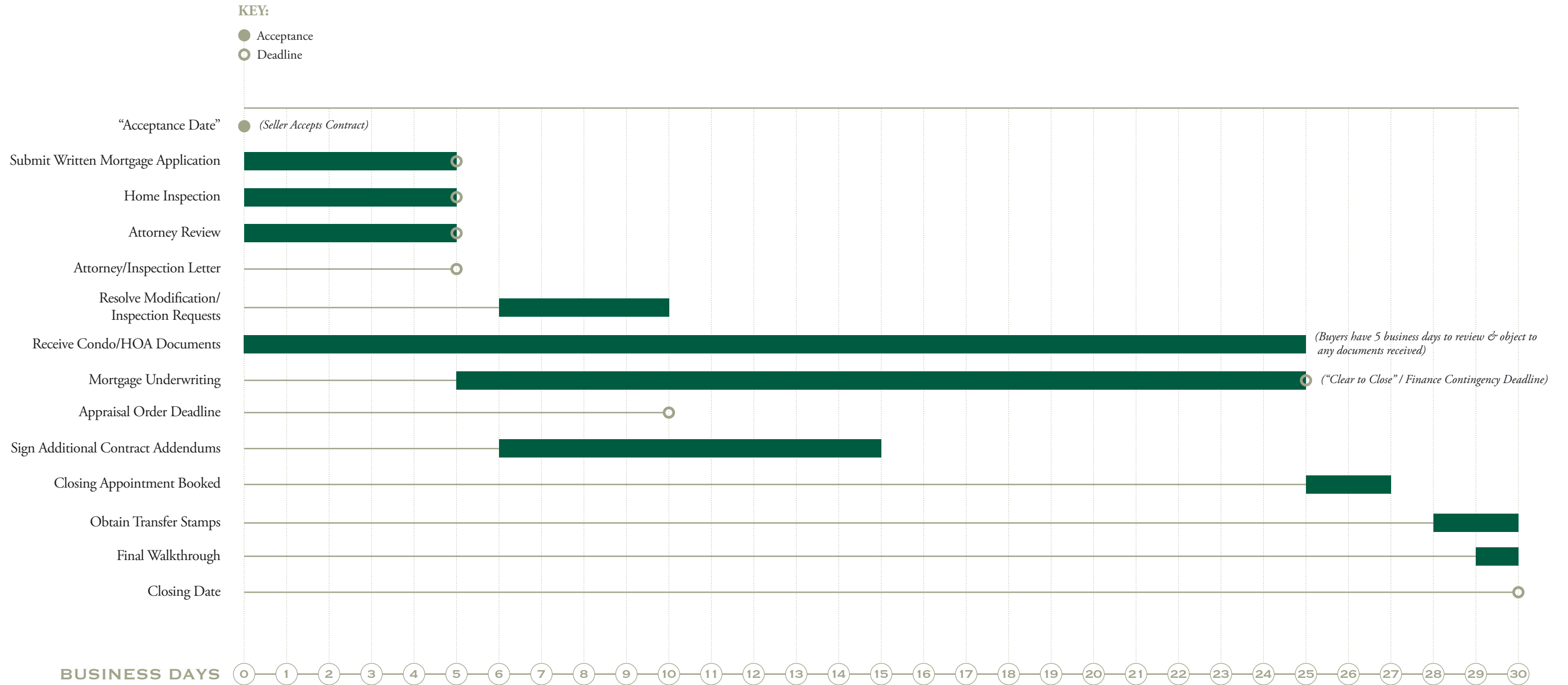
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WHAT HAPPENS: CONTRACT TO CLOSING FROM THE BUYER'S PERSPECTIVE





THE LAW OFFICE OF
LOFGREN & WENTWORTH, P.C.

ABOUT YOUR TRANSACTION **BUYING A HOME**



CONGRATULATIONS!

Making an offer on a home and having it accepted by the Seller is a big step toward owning your new property, but it isn't the last. Now that you have a signed contract, the transaction has entered a new phase. Think of it as a baton passing to a new runner in a relay race—in this case, from your real estate agent to an attorney that you have hired. Although you will all still work as a team along with your mortgage lender (if applicable), and other specialists such as home inspectors, from now on, you will most likely be working with an attorney as your main point of contact for any developments in the purchase of your new property.

Over the next several weeks, there will be additional hurdles to clear before the keys to the property will finally be handed over to you.



The different hurdles include:

HOME INSPECTION/ATTORNEY NEGOTIATION PHASE

Typically in Chicagoland, the original sales contract you signed will allow for **only FIVE business days** to both send in home inspectors, as well as hire an attorney to send a letter over to the Seller's attorney requesting any changes to the contract language itself (other than the purchase price of the home). Since there is a bit of a turn-around time between scheduling a home inspector, receiving the report, evaluating the report, and working with your attorney to determine the contents of the attorney request letter, **please do NOT delay**. The sooner you hire an attorney and get a home inspector into the property, the better.

Once the attorney letter is sent (if any), the sales contract usually allows for another five-business-day period for the parties to negotiate back and forth regarding the items requested in the original letter. This is the time to be flexible with the other side, as usually the topics covered deal with a few hundred or a few thousand dollars of cost—rather than the several thousands of dollars when you were negotiating the overall purchase price of the home. If the parties are not in written agreement within **TEN business days** of the original Acceptance Date of the contract, typically the contract allows either party at that point to terminate the contract due to an inability to agree on home inspection or attorney modification issues.

MORTGAGE CONTINGENCY PHASE

Most sales contracts require the Buyer to diligently apply for a mortgage **within five business days** of the Acceptance Date of the contract. In addition, your lender will be required to order an appraisal on the subject property **within TEN business days**. The mortgage goes into “underwriting” and has contractual deadlines stated in the contract called “contingency dates.” It is important that you work with your lender to provide any extra information it might request.



OTHER DUE DILIGENCE: ASSOCIATION DISCLOSURES & TITLE COMMITMENT PHASE

During the process, your attorney should also look into some other items pertaining to the purchase of your home, including Association Disclosures and issues pertaining to title. Generally speaking, Association Disclosures refer to any property that involves a community association, such as a condominium, townhome, or neighborhood homeowner's association. Most real estate sales contracts in Chicagoland require the Seller to disclose background information on the associations such as bylaws, rules and regulations, planned special assessments, insurance coverage and reserve finances. Once Association Disclosures are received, most contracts allow potential buyers to terminate the sales contract within a certain time period if the results are unacceptable.

The sales contract requires the Seller to provide clear and merchantable title to the property. It is the attorney's job to order a preliminary title commitment and identify any potential problems or "clouds" on the title. Such issues might be additional names on the chain of title or unpaid judicial or mortgage liens on the property. The goal is to get a clean title commitment by the closing date so that once the transaction is complete, the buyers can feel 100% secure in the knowledge that they—and only they—are the true owners of the property.

CLOSING DAY

Once all of the phases are complete, a Closing Date is officially scheduled to conduct the final steps of the transaction. Although all parties try their best to comply with the originally contracted Closing Date, **THE ACTUAL CLOSING DATE CAN CHANGE** depending on contingencies and federal law. For example, if a mortgage underwriting process takes longer than expected, it is not unusual for a Closing Date to be delayed by several days or even weeks. Therefore, **it is important to be flexible when handling moving logistics like terminating rental leases, booking moving vans, and taking time off of work.** Several days before the official Closing Date, your attorney should send a formal Pre-Closing Letter that will serve as a handy reminder and checklist of the final items to consider before arriving for the appointment. This includes final details such as purchasing homeowner's insurance for your new property, arranging for utilities to be switched over in your name, and scheduling a final walk-through with your agent shortly before the closing.

On the Closing Day itself, it's important to bring all of the relevant information with you from the start of the transaction, as well as two forms of photo IDs, your personal checkbook, and a readiness to sign LOTS of documents. For buyers with small children, it might also be a good idea to arrange for child care, since closings happen in professional offices and can be several hours of boring paperwork. At the closing, your attorney will help you examine and execute all of the documents required to undertake a mortgage (if not a cash deal), as well as the legal documents formally conveying ownership of the property to you. Unless other arrangements have been made, at the end of the appointment the Seller will hand over any keys and garage door openers to the property, and you will become the legal and rightful owner.

POST-CLOSING ISSUES & REPRESENTATION

Once the closing has been completed, you will receive copies of the documents. Typically, attorneys only represent you for the purchase transaction itself, and not for any breach of contract or post-closing disputes. That is because if a cancelled closing becomes litigious in nature, your attorney could become a material witness in the case. If such a situation arises, your transactional attorney will be happy to refer you to a litigation specialist.

Call The Law Office of Lofgren & Wentworth, P.C. today to schedule a time to meet with one of our attorneys about the purchase of your new home.

Remember, we do not represent you until you sign an engagement letter with our firm.



TIPS FOR A SMOOTH TRANSACTION

There are many hurdles to clear when buying or selling real estate. Here are some tips to help speed things along and to help avoid potential pitfalls:

- **BE FLEXIBLE.** The time for hard-nosed negotiations over the price or quality of the home is before you sign the real estate contract. Once the contract is signed, usually only minor issues are negotiated. **You must be flexible in your closing dates and other logistical arrangements, as Closing Dates CAN change due to lender underwriting, logistical complications, other contingency delays.** Sales fall apart even though all parties have acted appropriately.
- **DO YOUR HOMEWORK.** Whether buying or selling real estate, it is important to “crunch the numbers” and conduct other due diligence before you enter a real state contract. If you are buying, are you aware of all the lending and closing costs? If you are selling, do you know what you still owe on your mortgage, or do you have outstanding tax bills or judicial liens on the property? Have you factored in the real estate agents’ commissions?
- **BE DECISIVE.** Once contracts are signed and home inspection/attorney review periods are over, there is only a very limited ability to change the transaction after-the-fact. If you get cold feet half way through the transaction, depending on the reason, it may be too late to turn back.
- **BE PROMPT.** Be sure to comply right away with requests from your lender (if buying) and your attorney for additional documentation. If you want the transaction to go forward, they will need the requested information eventually. The sooner you give it to them, the sooner the rest of the transaction can continue.
- **GATHER REQUIRED DOCUMENTS EARLY.** Some documents are almost always requested if you are selling a property. If you belong to a condo or homeowners association, work with your listing agent now to gather standard “22.1 Disclosure Documents”—Bylaws, Rules & Regulations, etc.—and make sure you are 100% paid up on your assessments.
- **BE HONEST.** If you are untruthful in making representations to your lender (if buying) or to the Buyer (if selling), there is a good chance that the truth will come out eventually. Being untruthful during the course of a restate transaction is illegal and could incur severe legal consequences.
- **RELAX.** Although the experience of buying or selling a home can be a roller-coaster of emotions, breathe easy knowing that tens of thousands of properties change hands in Illinois each year. You are working with professionals who will be happy to answer any questions or address any anxieties you might have.

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FREQUENTLY ASKED QUESTIONS

Q Are you my lawyer right now? How do I hire you? How much do you charge?

A No. This information packet is for general educational purposes only. It is not intended to be specific legal advice for your particular transaction. The information in this packet does not constitute an invitation for an attorney-client relationship. **No such relationship will be created between you and our firm until you have received and signed an engagement letter from us.** We charge a flat-fee rate for all residential real estate closings, but that fee varies with different factors, such as the anticipated complexity of the transaction.

Q How much should I expect to pay in closing costs and other transaction fees?
Will I have to bring money to the closing table?

A Loan origination, home inspection, and attorney fees can all add up—usually into the several thousands of dollars. If you are a Buyer, the best person to answer that question is your mortgage lender. They will give you legally required disclosures, but also make sure to ask what a conservative “bottom line” estimate will be for you to bring to the closing table.

If you are a Seller, you will be responsible for paying various closing costs such as agent commissions and real estate tax pro-rations. Before listing your home, **it is strongly recommended that you go over the numbers with your listing agent to get a conservative estimate of your “net proceeds” after all the various fees are paid.**

Q How long does this process usually last?

A Real estate transactions can go from contract to closing in less than 30 days in some circumstances, or as long as 6+ months for some short sales. Much depends on whether the Buyer is borrowing money and how long the underwriting process takes. Most transactions are closed within 60 days if there are no significant complications.

Q Is the Closing Date guaranteed?

A Although both parties must put forth a good-faith effort to adhere to the contracted Closing Date, these dates can and do get modified. The most common reasons for delays in the Closing Date are complications in the lending underwriting process and federally required disclosure periods. In addition, the more additional contingencies are built into the contract (for example, a sales contingency wherein one party must first sell their existing home to purchase another), the greater the risk that one delay can create a chain reaction and delay subsequent closings.



Q A friend of mine said they did their real estate transaction without a real estate agent or an attorney. Can I do that to save money?

A In several other states, as well as in some areas outside of Chicagoland, people do transfer real estate without the help of real estate agents or attorneys. However, it is not recommended. Particularly in Chicagoland, real estate transactions are very labor intensive and involve a lot of paperwork. There are several pitfalls that could ruin a transaction if not addressed properly. In addition, going without an agent or attorney will leave you without a fiduciary professional during the transaction. Title companies, escrow agents, and lenders do not have a legal obligation to act in your best interests. Attorneys do.

Q I am thinking of buying or selling a distressed property (foreclosure, REO, Short Sale). How is this different than a traditional transaction?

A Generally speaking, when you are buying a distressed property, the seller is often a large company, bank, or governmental entity. As the Buyer, your negotiating power is very small, and the ability to modify the contract is greatly reduced. In addition, most institutional sellers force additional costs onto the buyers that are normally paid for by traditional sellers—municipal transfer taxes, plats of survey, past due HOA fees, etc. This can also include daily fees for extending deadlines.

If you are buying or selling a short sale property, be prepared for a substantially longer turn-around time. This is because the lender holding the seller's mortgage must also approve the purchase price and all other aspects of the transaction. This extra level of approval can stretch a transaction out for several additional months.

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REAL ESTATE GLOSSARY OF TERMS

APPRAISAL | A written justification of the price paid for a property, primarily based on an analysis of comparable sales of similar homes nearby.

CHAIN OF TITLE | An analysis of the transfers of title to a piece of property over the years.

CLEAR TITLE | A title that is free of liens or legal questions as to ownership of the property.

“CLEAR TO CLOSE” LETTER | The final letter from a lender confirming that all underwriting is complete, and that the borrower is authorized to schedule the Closing.

CLOSING | The final meeting where all of the documents are signed and money changes hands to convey ownership of the property.

CLOSING COSTS | Closing costs are the associated overhead costs of conveying property, such as attorney fees, title insurance, property tax proration credits, real estate agent commissions, etc. A lender makes an attempt to estimate the amount of non-recurring closing costs and prepaid items on the Good Faith Estimate which they must issue to the borrower within three days of receiving a home loan application.

CONTINGENCY | A condition that must be met before a contract is legally binding. For example, Buyers often include a contingency that specifies that the contract is not binding until the purchaser obtains a satisfactory home inspection report from a qualified home inspector.

DEED | The legal document conveying title to a property.

EARNEST MONEY | A deposit made by the potential Buyer to show that he or she is serious about buying the house.

EASEMENT | A right of way giving persons other than the owner access to or over a property.

ENCUMBRANCE | Anything that affects or limits the fee simple title to a property, such as mortgages, liens, leases, easements, or other restrictions.

ESCROW | An item of value, money, or documents deposited with a third party to be delivered upon the fulfillment of a condition.

FEE SIMPLE TITLE | Owning a property with a legal right to sell or otherwise divest the property fully to another individual.

FORECLOSURE | The legal process by which a borrower in default under a mortgage is deprived of his or her interest in the mortgaged property. This usually involves a court-ordered sale of the property at public auction with the proceeds of the sale being applied to the mortgage debt.

GRANTEE | The person to whom an interest in real property is conveyed.



GRANTOR | The person conveying an interest in real property.

HOME INSPECTION | A thorough inspection by a professional that evaluates the structural and mechanical condition of a property. A satisfactory home inspection is often included as a contingency by the Buyer.

HOMEOWNERS' ASSOCIATION | A nonprofit association that manages the common areas of a planned unit development (PUD) or condominium project. In a condominium project, it has no ownership interest in the common elements. In a PUD project, it holds title to the common elements.

JOINT TENANCY | A form of ownership or taking title to property that means each party owns the whole property and that ownership is not separate. In the event of the death of one party, the survivor owns the property in its entirety.

LIEN | A legal claim against a property that must be paid off when the property is sold. A mortgage or first trust deed is considered a lien.

MORTGAGE | A legal document that pledges a property to the lender as security for payment of a debt.

MORTGAGE INSURANCE | Insurance that covers the lender against some of the losses incurred as a result of a default on a home loan. Often mistakenly referred to as PMI, which is actually the name of one of the larger mortgage insurers. Mortgage insurance is usually required in one form or another on all loans that have a loan-to-value higher than eighty percent.

NOTE | A legal document that obligates a borrower to repay a mortgage loan at a stated interest rate during a specified period of time.

PRINCIPAL, INTEREST, TAXES, AND INSURANCE (PITI) | The four components of a monthly mortgage payment on loans with escrow accounts. Principal refers to the part of the monthly payment that reduces the remaining balance of the mortgage. Interest is the fee charged for borrowing money. Taxes and insurance refer to the amounts that are paid into an escrow account each month for property taxes and mortgage and hazard insurance.

RATE LOCK | A commitment issued by a lender to a borrower or other mortgage originator guaranteeing a specified interest rate for a specified period of time at a specific cost.

REAL ESTATE SETTLEMENT PROCEDURES ACT (RESPA) | A consumer protection law that requires lenders to give borrowers advance notice of closing costs.

SHORT SALE | The sale of a property that is “under water” but is authorized by the Sellers’ lender to sell for less than the outstanding amount still due on the mortgage. Short sales often take much longer to complete because the Sellers’ lender (usually a large bank) must approve every step of the transaction.

TENANCY IN COMMON | As opposed to **joint tenancy** or **tenancy by the entirety**, when there are two or more individuals on title to a piece of property, this type of ownership does not pass ownership to the others in the event of death.

TENANCY BY THE ENTIRETY | Available only to married couples for their primary residence, this designation is similar to Joint Tenancy, but has extra protections for the non-debtor spouse from creditors of the debtor-spouse and has the added benefit of avoiding probate in the event of the death of a spouse.



TITLE | A legal document evidencing a person's right to or ownership of a property.

TITLE INSURANCE | Insurance that protects the lender (lender's policy) or the Buyer (owner's policy) against loss arising from disputes over ownership of a property.

TITLE SEARCH | A check of the title records to ensure that the Seller is the legal owner of the property and that there are no liens or other claims outstanding.

TRANSFER STAMPS | Stamps required to be purchased from the municipality where the property is located and affixed to the deed before the county will allow it to be recorded as evidence that the Transfer Tax has been paid.

TRANSFER TAX | State and county taxes payable when title passes from one owner to another. The Seller typically pays these taxes.

TRUTH-IN-LENDING | A federal law that requires lenders to fully disclose, in writing, the terms and conditions of a mortgage, including the annual percentage rate (APR) and other charges.

UNDER WATER | A property that has a fair market value that is lower than what the owner still owes on the mortgage.