

**MULTIFAMILY
LAUNCHPAD**

WITH **JONATHAN TWOMBLY**

REAL ESTATE INVESTMENT
EDUCATION



THE CLOSING

Module 10 – Video 2

WWW.MULTIFAMILYLAUNCHPAD.COM

VIDEO OVERVIEW

What's covered:

- Pre-closing process
- Closing the loan
- Closing the deal
- Some closing tips





PRE-CLOSING PROCESS

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- Completion of due diligence, waive contingencies, agree to close
- Final walk-through by the buyer
 - ✓ Ensure nothing material has changed on the property since Due Diligence
 - ✓ If damages or changes are found, demand repair by closing or credit at sale
 - ✓ If damages are insured, request seller to escrow estimated repair amount plus overrun contingency
 - ✓ Contractor paid from escrow, seller receives insurance checks to cover, unused funds are returned to seller when work is complete
 - ✓ Must negotiate and execute an amendment to the sale contract in this case



CLOSING THE LOAN

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- The loan must close for the deal to close
- They happen more or less simultaneously, though the lender will tell you in advance they are ready to close
- Pre-conditions to closing the loan:
 - ✓ Lender has completed lender due diligence
 - ✓ Equity is funded in escrow
- Because lender must run checks on every investor, be sure to have equity funded several days in advance!
 - ✓ You don't want last-minute withdrawal to delay loan closing
- When down-payment is present, lender will rate-lock and fund




CLOSING THE DEAL

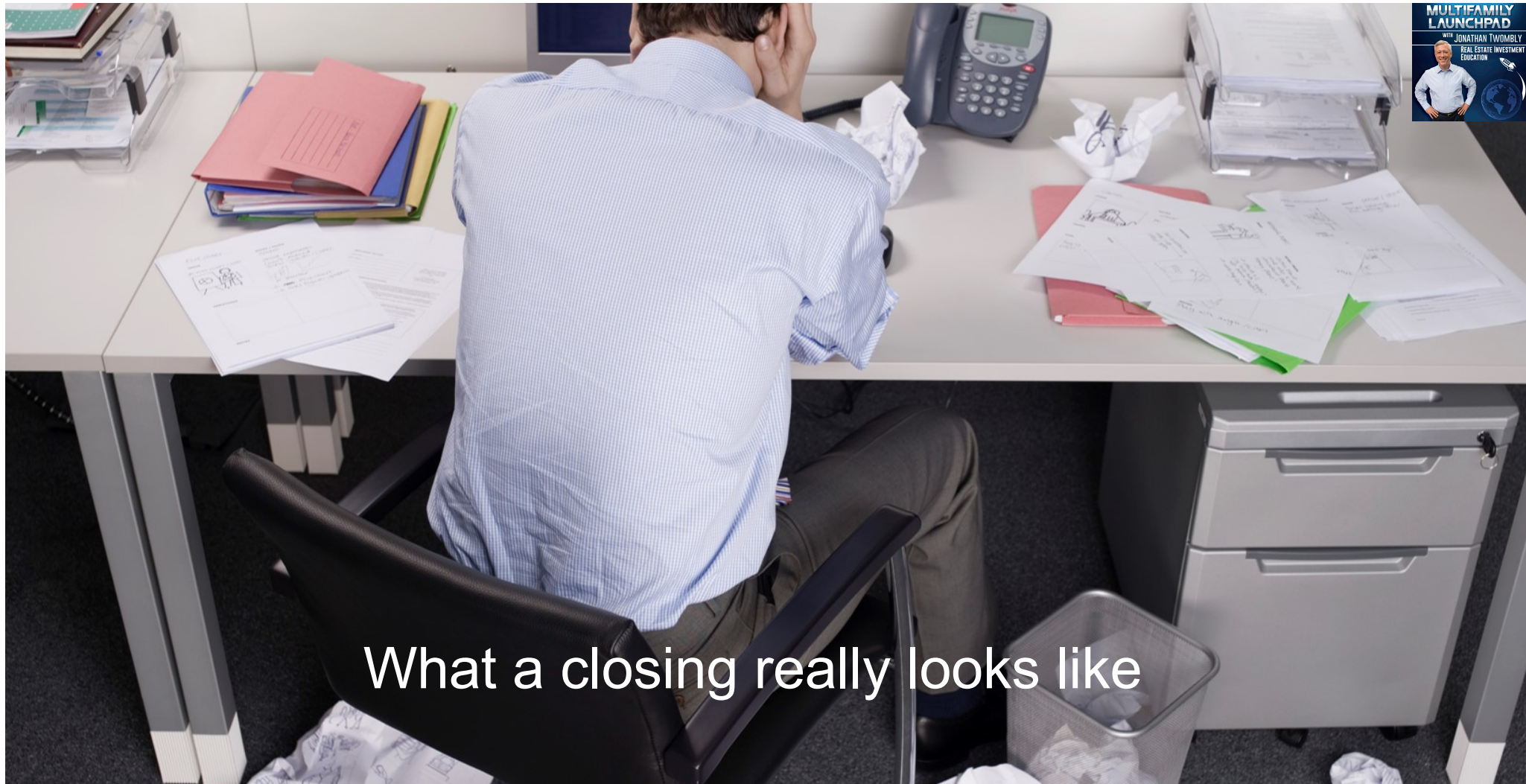
WHAT IS THE CLOSING, EXACTLY?



- The closing is when title actually changes hands and ownership passes to the buyer
- Escrow agent confirms all funds needed for closing are present
- Deed is released to buyer
- Payment is released to seller
- Buyer is now the owner of the property



What you think a closing looks like



What a closing really looks like

WHAT YOU ACTUALLY NEED TO DO



- Your role during closing is basically to sign documents:
 - ✓ Assignment of contract to buyer entity
 - ✓ Assignment of leases to buyer entity
 - ✓ Bill of sale – for all non-real estate property
 - ✓ Title insurance policy
 - ✓ Re-proration agreement (for property taxes)
 - ✓ Settlement statement
- Chances are that you have executed signature pages in advance, so there is nothing you actually need to do
- You don't even need to be present

THE MONEY

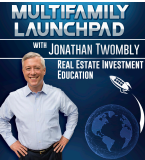


- The money passing to seller will be less than the purchase price because seller must credit you for:
 - ✓ Tenant security deposits
 - ✓ Current month's rents through closing date
 - ✓ Property taxes for year to date
 - ✓ Any negotiated credits and escrows
- The money you put into escrow will exceed the purchase price because you must also fund:
 - ✓ Lender escrows
 - ✓ Closing costs and all other fees associated with purchase
- Excess funds: transfer to property for operations, reserves



CLOSING TIPS

CLOSING TIPS



- Do as much as possible as far in advance as you can
- Require investors to have equity in place several days before closing, so lender has time to check new investors
 - ✓ First ask existing investors if they want more shares, because they have already passed lender process
- Do not schedule closing for last day of contract period, so you have time if there are last minute delays
- Schedule closing for middle of month to avoid rent collection issues
 - ✓ Even though seller owes you the rents, collecting can be tough



Q&A IN THE FACEBOOK GROUP

Next up:

**Module 10 – Video 3
The Transition to New Ownership**