Part 3: What Happens after an Offer is Submitted?

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The offer on your dream home has been accepted. Now you're wondering how long does it take to close on a house? What happens after an offer is submitted may take longer than usual, even if you're prepared.

In part three, we look at the next phase in the home-buying process, beginning with how long it typically takes to close a house.

What Is the Typical Timeframe to Close on a House?

The answer to this depends on several factors. On average, it can take a few weeks to a few months to find the right home and 30-45 days to close. This summer, Ellie Mae said it takes 42-47 days, across all loan types, to close on a home purchase. That is, the length of time from application to closing and funding—until the house is officially yours.

Your unique situation determines what happens after your offer is accepted. Issues that may affect closing include the time of year, not having the correct paperwork, and a lack of financing. Also, contingency problems, unavailability of third-party service providers, and the type of loan will impact your home-buying dreams, as well.

Ultimately, the buyer's lender determines the length of time necessary to process the loan and close on the home. Even if you and the seller agree on an earlier closing date in the purchase contract, it will not close if the lender isn't available or can do so during that window.

How Long Before My Offer Is Accepted?

Once you present an offer on a home, the seller has between 24-72 hours to respond. After it is accepted and your earnest deposit is received, you'll have a short grace period to decline (depending on your state). So, check with your agent and lender.

The Importance of Home Inspections

The next crucial step in your home-buying journey? The dreaded inspection and appraisal.

The home inspection can take one to five days to complete and depends on the availability of a licensed, independent inspector. (Appointments such as these are usually booked days and weeks in advance.)

The inspection itself lasts two to five hours, and you and your agent should be present. Understanding the home's flaws and necessary repairs determines if it must be fixed before closing (or a DIY project after the home sale).

If you have a conventional loan, you might be able to subtract certain repairs from the purchase price. However, with an FHA and VA loan, it may differ. For example, if the home inspection identifies chipped or peeling paint—especially lead-based paint in a home built before 1979—an FHA loan requires it to be scraped and repainted before moving forward.

If you have a VA loan, even simple things like a leaking faucet must be fixed before the loan is approved. Missing hardware on a window latch, or damaged screws on the water heater vent, must also be fixed beforehand.

If there is a significant plumbing issue, the seller has to get a quote and then schedule repairs which takes time. Further, if the repairs are disputed, it can affect price negotiations and loan approvals.

Then, once repairs are fixed, another appraisal has to be scheduled. Suppose the repair is severe, like a cracked foundation that affects structural integrity. In that case, you should have a contingency that allows you to walk away.

Appraisals Are Your Friend When Buying a Home

The home appraisal can take one to two weeks to set up and depends on the availability of a licensed, independent appraiser. As with the inspection, these third-party service provider appointments should be scheduled as soon as possible.

The appraisal can take anywhere from 25-60 minutes to complete. It gauges the house's value, its condition, any improvements made, and if city permits were passed and specs match the property's upgrades. It also checks for issues needing repairs, such as cracks in the wall, if the garage door opener works, and if there are handrails on stairwells.

The appraiser then researches comparable property prices recently sold in the area to get a sense of the home's value. The resulting market analysis and "comp" values determine how much the lender will allow you to borrow, essentially protecting you from paying more for the home than its worth.

If the appraisal comes in lower than the selling price, contract renegotiations are likely. If the home's value comes back higher, you will need a more significant deposit, or the loan may be denied. The lender may request a second appraisal (in rare circumstances) if the value is a few points higher. Unfortunately, this adds wait time and can increase your rate and closing costs.

However, lenders generally accept the appraiser's assessment of a home as-is. That being said, certain types of purchases with Freddie Mac and Fannie Mae offer appraisal waivers, so check with your lender for details.

Different Types of Home-buying Contingencies

A contingency is a clause frequently included in the purchase contract to protect both the buyer and seller. They typically range from appraisals, clear title, rent-back, and kick-out contingencies to home insurance and foundation inspection clauses.

Contingencies can protect you if the home inspection reveals significant problems. For example, some give you time to secure financing—making closing contingent upon loan approval. This protects your earnest money deposit if the loan isn't approved and the house does not close.

Another necessary contingency is the home sale clause, which allows you to sell your current home before purchasing the new one, but there may be loopholes.

Let's say you have a VA loan in California, and you're in the process of closing. In the meantime, you make an earnest money deposit on a brand-new home with builders in Texas. If the sale of your home falls through and you need the VA loan to transfer—you will lose your earnest deposit with some builders, especially if you don't purchase and close within 12 months.

At any rate, your purchase agreement states the closing date. If it's not met, you may potentially lose your earnest money and the house, so stay vigilant with any repairs, contingencies, and other closing issues.

Next Steps in the Closing Process

Once the appraisal and inspection are completed, and contingencies are released, the lender will issue final approval (subject to closing conditions). At this point, you should obtain hazard and homeowners' insurance policies, which may take longer with older homes, so get it as soon as possible.

Be sure to have the details about the home ready for the insurance representative, such as the square footage, the year the house was built, and installed sprinklers and home security system.

Checking Titles and Liens on a New Home

Title and lien issues constitute a significant roadblock in closing a home sale. The seller must clear the title of any judgments, bankruptcies, or liens to transfer ownership. The title company must confirm that the seller is the actual owner and has a clear deed, meaning there are no other claimants to the property. That's why you pay title insurance—to protect against another party claiming your investment after the sale is final. If there are issues, your lender will help resolve them, but it slows down the process.

Along with the considerable amount of work it may take to negotiate over other aspects of closing, adding title and lien issues can indefinitely prolong the process. Hence, it's paramount that the lines of communication remain open. Talk to your agent, lawyer, and lender first, and try to find some middle ground. However, if the seller isn't willing to negotiate or be fair, don't hesitate to walk away.

Other Factors That Affect Closing

Although closing periods can be similar, the process and conditions do vary. Even within a state, closing processes can be different, as is the case when escrow instructions are signed in northern and southern California.

Other factors that affect closing may not be as obvious. Your lender's capacity is one such issue. If the lender is relatively new, is short-staffed, or has a heavy workload, your closing will be affected. It's a good idea to ask how long the expected turnaround will take with your home purchase. Also, if it's peak season, providers and your lender may be swamped and slower to respond.

Therefore, answer all calls and emails quickly and return disclosure signatures and all requested documentation promptly. Particularly time-sensitive notices like the Closing Disclosure (CD - formerly the HUD-1 Uniform Settlement Statement).