

Best Practices for the Real Estate Settlement Process



Voluntary Guidelines Endorsed by The Texas Mortgage Bankers Association and the Texas Land Title Association



These best practices were identified and developed through a collaborative effort between the mortgage lending and title insurance industries in Texas. They are designed for use by professionals involved in the real estate settlement process as a way to establish appropriate timelines and create efficiencies while preserving the integrity of the transaction and providing transparency, predictability and superior service to the consumer. These practices are jointly endorsed by the Texas Mortgage Bankers Association and the Texas Land Title Association for consideration and use on a voluntary basis by parties involved in the settlement process.

Adequate Time Periods

- Within 3-5 business days of receipt of the loan application, Lender should order title and provide Title Company with contact information for the funding Lender.
- After receiving the order, Title Company should contact Lender to confirm receipt, give estimated time for completion of title work and either request a copy of the existing survey or advise that a new one should be ordered.
- Within 48 hours of receipt of the survey, and no later than 5 business days prior to closing, Title Company should issue a signed and updated title commitment that includes all survey exceptions, if any (i.e. easements, boundary lines, etc. should be defined and located as to type and location or deleted.)
- Within 48 – 72 hours prior to the scheduled closing, Lender should provide Title Company with preliminary closing instructions.
- Within 24 - 36 hours prior to the scheduled closing, Lender should provide Title Company with final closing instructions and loan documents.
- Within 24 hours prior to the scheduled closing, Title Company should provide borrower with a copy of the note and HUD-1/1A for review.

Notifying Lender of Changes to HUD-1/1A

- Title Company should close the loan only in accordance with Lender's approved HUD-1/1A.
- Title Company should notify Lender of any changes to the HUD-1/1A and receive written approval from Lender prior to closing.
- Lender should provide Title Company with a written response to requests for changes immediately upon receiving proposed changes so that closing may proceed as scheduled.

Disbursement Approval

- No funds should be disbursed by Title Company to any source other than those listed on the closing instructions and the HUD-1/1A without prior written approval from Lender.
- Lender should provide Title Company with a written response to any request for disbursement modifications immediately upon receiving that request so that closing may proceed.

Fraud Prevention

- Lenders and Title Companies should be vigilant in looking for red flags and inconsistencies in each transaction, notifying each other of concerns and delaying closing until all issues are resolved.

Privacy Protection

- Lenders and Title Companies should periodically review their policies and practices to ensure they are in compliance with all state and federal privacy laws and regulations.
- Except for the computer-generated 1003 to be executed at closing, documents that contain non-public personal information (i.e. pay stubs, bank statements, credit letters, etc.) as well as any documents containing final loan approval requirements, should not be sent to the Title Company.