

5 Reasons To Re-Think End-of-the-Month Closings

There is a misconception in the Real Estate world that it is better to close at the end of the month: It isn't.

This line of thought comes from odd interest. When you close on a mortgage you will pay interest for the remaining days of the month you close. So that last day you will pay just 1 day's interest. So on a \$250,000 loan if rates are at 5% that would be \$34.25/day up to \$1,027 for a month.

So yes, it is a little less money when closing at the end of the month, but consider these potential issues:



Mortgage Payment

When you close on the last day of the month, your first payment is due in 30 days, you close in the middle of the month, you have 45 days, and the beginning of the month. Yup, close to two months before you have to write out that first mortgage check. It all comes out the same in the long run, even when you pay off your loan on the other end.

If you close the first few days of the month you can request an interest credit and make it even cheaper than the last few days of the month. So close July 31, you pay \$34, or August 3 and get a credit for \$102 (with the same September 1 due date for the first mortgage payment).

That's the math side of the equation, but there is a much broader picture to consider. Everyone is still trying to close in the last few days, and everything is harder, especially if there is a last-minute change which we all know can happen.

Availability of Movers

Need a mover? It is much easier to get one early in the month or mid-month, and if you need that last minute change that will be much easier as well.

Rental Trucks

Not using a mover? Rental trucks also become scarce at the end of the month. Most rental leases expire at the end of the month, so there is a lot of competition for trucks. (Pay attention next time you are driving around on the last weekend

of the month, you will see a lot of people driving around with their lives packed up in a truck!)

Closing Location

Settlement agents are busier than the proverbial one-armed paper hanger. Picking and choosing where and when you will close becomes more difficult.

Money Transfers

Wires. You would think they would be instant, but they are not. All wires go through the FED, and at the end of the month they can be slow, especially on the last Friday of the month.

There is a long list of services that can negatively impact a transaction and move at the end of the month — utilities, appliance deliveries, etc. Last month I saw all of the above:

- One client had to settle on a smaller truck and make multiple trips. Thankfully the move was not far.
- One had to drive an hour to closing because the settlement agent was only available at 9 am, and only at their office, while the day before they would have closed locally.
- A Seller's mover was not available so the original June closing got pushed to July.
- Lastly, the wire transfer one client's funds from sale of the old house for down payment on the new house was delayed. The funds didn't show up till the end of the day.

Thankfully we managed the closings on the mortgage side without any additional stress to our buyers, but there certainly was a lot of internal stress for my processor and myself as we pushed to get a month's worth of work into one week of the month.

If you want things to run smoother for your closing, consider changing your perspective and move the closing to early or mid-month and stay clear of the last week of the month. It will help us all maintain our sanity.

Robert Rauf is a licensed Mortgage Loan Originator, NMLS #248937, with Homebridge Financial & has been lending in NJ since 1987.

9 Grand Avenue Toms River, NJ 08753
(732) 908-4868 www.RobertRauf.com

