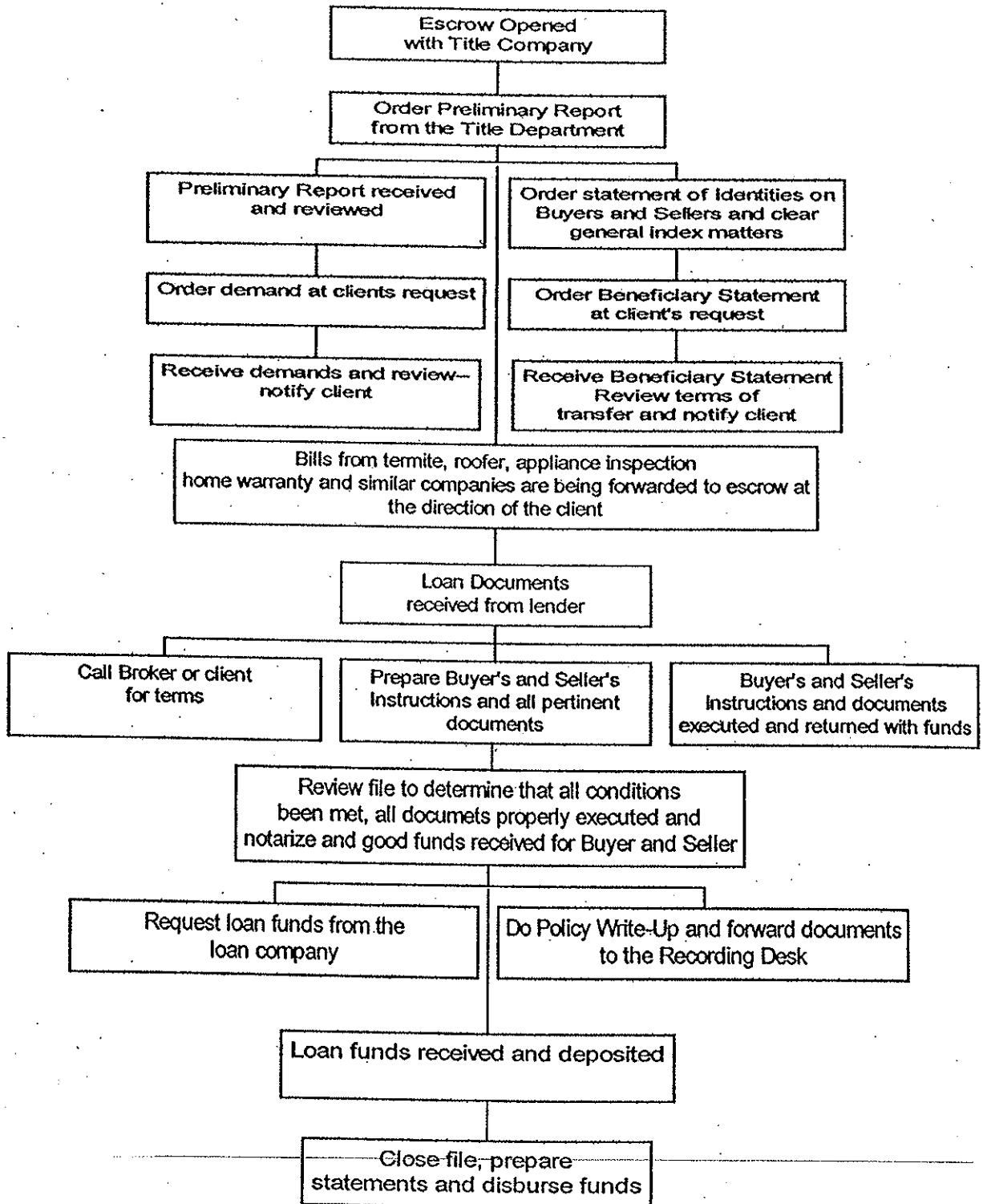


# The Escrow Process



## *What Is Escrow?*

Buying or selling a home (or other piece of real property) usually involves a transfer of a large sum of money. It is imperative that the transfer of these funds and related documents from one party to another be handled in a neutral, secure, and knowledgeable manner. For the protection of buyers, sellers, and lenders, the escrow process was developed.

As a buyer or seller, you want to be certain all conditions of the sale have been met before property and money change hands. The technical definition of an escrow is a transaction where one party engaged in the sale, transfer, or lease of real or personal property with another person, delivers a written instrument, money or other items of value to a neutral third person, called an escrow agent or escrow holder. This third person holds the money or items for disbursement upon the happening of a specified event or the performance of a specified condition. Simply stated, the escrow holder impartially carries out the written instructions given by the principals. This includes receiving funds and documents necessary to comply with those instructions, completing, or obtaining required forms and final delivery of all items to the proper parties upon the successful completion of the escrow.

The escrow holder must be provided with the necessary information to close the transaction. This may include loan documents, statements, fire, and other insurance policies, title insurance policies, terms of sale, and many seller assisted financing, and requests for payment for various services to be paid out of escrow funds.

If the transaction is dependant on arranging new financing, it is the buyer or the buyer's agent responsibility to make the necessary arrangements. Documentation of the new loan agreement must be in the hands of the escrow holder before the transfer of property can take place. A real estate agent can help identify appropriate lending institutions. When all the instructions in the escrow have been carried out, the closing can take place. At this time, all outstanding funds are collected and fees such as title insurance premiums, real estate commissions, and termite inspection charges are paid. Title to the property is then transferred under the terms of the escrow instructions and appropriate title insurance is issued. Payment of funds at the close of escrow should be in the form acceptable to the escrow holder, since out of town and personal checks can cause delay in processing the transaction.

# *What Does The Escrow Holder Do?*

*The following represents a typical list of what an escrow holder does and does not do:*

## ***The Escrow Holder Does:***

- Serve as the neutral “stake holder” and the communications link to all parties in the transaction: prepare escrow instructions
- Requests a preliminary title search to determine the present condition of title to the property
- Requests a beneficiary’s statement if debt or obligations are to be taken over by the buyer
- Comply with lender’s requirements specified in the escrow agreement
- Receive purchase funds from the buyer
- Prepare or secure the deed or other documents related to escrow
- Prorate taxes, interest, insurance, and rents according to instructions
- Secure releases of all contingencies or other conditions as imposed on any particular escrow
- Record deeds and any other documents as instructed
- Requests issuance of title insurance policy; close escrow when all the instructions of buyer and seller have been carried out
- Disburses funds as authorized by instruction, including charges for title insurance, recording fees, real estate commissions, and loan payoffs
- Prepare final statement for all parties accounting for the disposition of all funds deposited in escrow. These are useful in preparation of tax returns.

## **The Escrow Holder Does Not:**

- **Offer legal advice**
- **Negotiate the transaction**
- **Offer investment advice**