



WHAT IS ESCROW?

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Purchasing a house requires security measures to be in place to protect the funds involved in the closing transaction. Transferring large sums of money and finalizing the details of the sale needs to be done safely and in compliance with strict security and privacy standards. Therefore, a neutral third party must be used to facilitate the process. The escrow/settlement process was developed to protect the buyer, seller and lender by minimizing risks during real estate transactions.

An escrow account is a temporary account held by an escrow holder. The escrow holder is the neutral third party that securely holds funds and related documents while the participating parties work through the details of the transaction. Escrow also makes sure the conditions of the real estate transaction have been finalized completely and correctly before property and/or money is exchanged.

How Does Escrow Work?

The escrow process starts when a party to a real estate transaction opens the escrow after a fully executed sales contract is signed by all parties involved. Upon opening, the escrow holder will be provided with the terms of the sale and the information necessary to carry out tasks. They will need copies of the contract and all addendums and/or amendments.

While the real estate transaction is in escrow, the escrow officer will work to make sure the right steps are taken within proper timeframes.

Tasks that the escrow holder may complete include:

- Coordinating communications between all parties in the transaction
 - Preparing written escrow instructions
 - Requesting a preliminary report or commitment
 - Requesting a statement of identity from the buyer or seller as needed
 - Ordering demands or beneficiary statements
 - Receiving bills from home warranty companies, as well as pest, roof, home and other inspection companies
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WHAT IS ESCROW? -CONT.

- Preparing or securing the deed or other documents that will need to be recorded
- Fulfilling lender's requirements
- Prorating taxes, interest, insurance and rents
- Arrange to receive purchase funds required for closing
- Coordinating recording of deeds and any other necessary documents
- Closing escrow when all the instructions of the buyer, seller and lender have been completed
- Disbursing funds as authorized, including charges for title insurance, recording fees, real estate commissions and loan payoffs
- Preparing final statements for the parties, which account for the distribution of all funds deposited in escrow

When all instructions in escrow have been carried out to the satisfaction of each party, the escrow is ready to be closed. With closing, the title to the property is transferred to the buyer, the sales proceeds are paid over to the seller, necessary documents are recorded and title insurance is issued.
