



What is an Escrow?

This is a guide to help you understand the escrow process that is associated with the purchase or sale of real estate. Always obtain title and escrow advice from a qualified professional. If you would like a referral, please let me know.

An escrow is a deposit of funds, a deed or other instrument by one party for the delivery to another party upon completion of a specific condition or event. It is an independent neutral account by which the interests of all parties to the transaction are protected.

When opening an escrow, the buyer and seller of a piece of property establish terms and conditions for the transfer of ownership of that property. These terms and conditions are given to a third, impartial party known as the escrow holder. The escrow holder has the responsibility of seeing that the terms are carried out.

The escrow is a “storehouse” for all monies, instructions and documents necessary for the sale of your home. This includes the buyer providing funds for a down payment, and the seller depositing the deed and any other necessary papers.

1. Why do I need an Escrow?

An escrow will provide you with a guarantee that no funds or property will change hands until ALL of the terms and conditions have been followed. The escrow holder has the responsibility to watch over the funds and/or documents and then pay out the funds and/or transfer the title only when all requirements of the escrow have been completed.

2. How does the Escrow Process work?

The buyer, seller, lender and/or borrower cause escrow instructions to be created, signed and delivered to the escrow officer. The escrow officer will then process the escrow, in accordance with the escrow instructions. When all conditions required in the escrow are met, the escrow is “closed”.

Prior to the close of escrow, the buyer deposits the funds required with the escrow holder. The buyer instructs the escrow holder to release the money to the seller when:

- The deed records
- A policy of title insurance will be prepared and delivered to the buyer

The escrow holder acts for both parties and protects the interests of each within the power of the escrow instructions. Escrow cannot be completed until the instructions have been fully satisfied and all parties have signed escrow documents. The escrow holder takes instructions based on the terms of the purchase and sales agreement and the lender’s requirements.

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The duties of the escrow holder include:

- Managing the funds and/or documents in accordance with instructions
- Paying all bills as authorized
- Responding to requests from the principals
- Closing the escrow only when all terms and conditions have been met
- Distributing the funds accordingly

3. How do I open an Escrow?

Generally, the buyer or seller's real estate agent will open the escrow. As soon as you complete the purchase agreement, the agent will place the buyer's initial deposit, if any, into the escrow account at a title company or into the real estate broker's account.

4. What Do I need to do before my appointment to sign Escrow Papers?

All parties signing the documents must bring proper identification. Bring a valid driver's license, state identification card or current passport with you to the title company. This item is needed to verify your identity by a notary public. This is a routine, but necessary step for your protection.

5. What's the next step after I've signed the Closing Escrow Papers?

After both parties have signed all the necessary instructions and documents, the escrow officer will return the buyer's loan documents to the lender for final review. After the review is completed, the lender is ready to fund the buyer's loan and informs the escrow officer.

6. How long is an Escrow?

The length is determined by the terms of the purchase and sales agreement and can range from a few days to several months.

7. What is an "Escrow Closing"?

An escrow closing is the climax of the transaction. It signifies legal transfer of title from the seller to the buyer. Generally, the Grant Deed is recorded within one working day of the escrow holder's receipt of loan funds. This completes the transaction and signifies the "close of escrow". Once all the conditions of the escrow have been satisfied, the escrow officer informs you or your agent of the date escrow will close and takes care of the technical and financial details. The final closing papers are disbursed upon the close of escrow, when the escrow officer verifies with the County Records Office that the documents have recorded and legal transfer has occurred.

- Source: TitleOne Title Company

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