



WHAT IS ESCROW?

UNDERSTANDING THE ESCROW PROCESS

An escrow is an arrangement made under a contract between a Buyer and Seller. As the neutral third party, escrow is responsible for receiving and disbursing money and/or documents. People buying and selling real estate open an escrow for their protection and convenience. Both the buyer and seller expect the escrow agent to carry out their written instructions associated with the transaction and also to advise them if any of their instructions are not being met, or cannot be met. If the instructions from all parties to an escrow are clearly set out, the escrow officer can proceed on behalf of the buyer and seller without further consultation.

TYPICAL ROLES IN THE CLOSING PROCESS

The Seller/Agent

- Delivers Purchase Sale Agreement to the escrow agent.
- Prepares the paperwork necessary to close the transaction.

The Buyer/Agent

- Deposits funds required to close in with the escrow agent.
- Approves the commitment for title insurance or other items as called for by the Purchase Sale Agreement.
- Executes the paperwork and loan documents necessary to close the transaction.

The Lender

- Deposits loan documents to be provided by the buyer.
- Deposits the loan funds.
- Informs the escrow agent of the conditions under which the loan funds may be used

The Escrow Agent

- Clears Title
- Obtains title insurance
- Obtains payoffs and release documents for underlying loans on the property
- Receives funds from the buyer and/or lender.
- Prepares vesting document affidavit on seller's behalf.
- Prorates insurance, taxes, rents, etc.
- Prepares a final statement (often referred to as the "HUD Statement" or "Settlement Statement") for each party, indicating amounts paid in conjunction with the closing of your transaction. Forwards deed to the county for recording.
- Once the proper documents have been recorded, the escrow agent will distribute funds to the proper parties.

IN SUMMARY

Escrow is the process that gathers and processes many of the components of a real estate transaction. The sale is officially closed when the new deed is recorded and funds are available to the seller, in turn transferring ownership from the seller to the buyer. The escrow agent is a neutral third party acting on behalf of the buyer and seller under the Escrow Law as set forth in your state.