

What is Escrow?

Escrow is the process by which the interests of all parties in a real estate transaction are protected, ensuring that all conditions of the sale have been met before property and money change hands.

The escrow is an independent depository wherein all funds, instructions, and documents for the purchase of your home are held. These items include your down payment, your lender's funds, documents for the new loan, hazard and title insurance, inspection reports and the grant deed from the seller. At the close of escrow, the "escrow holder" delivers these items to the appropriate parties, disburses the funds and handles the associated paperwork.

What Does an Escrow Holder Do?

The escrow holder is a neutral third party, that maintains the escrow account and impartially oversees the escrow process, making sure all conditions of the sale are properly met.

The escrow holder's duties include:

- Serving as the neutral agent and the liaison between all parties involved.
- Requesting a preliminary title search to determine the status of title to the property.
- Requesting a beneficiary statement if debt or obligations are to be taken over by the buyer.
- Requesting a payoff demand from beneficiaries when the seller is paying of debts.
- Complying with the lender's requirements as specified in their instructions to escrow.
- Securing releases of all contingencies or other conditions imposed on the escrow.
- Preparing or securing the deed and other documents related to escrow.
- Prorating taxes, interest, insurance and rents.
- Preparing escrow instructions.
- Receiving purchase funds from the buyer.
- Receiving loan funds from the buyer's lender.
- Closing the escrow pursuant to instructions supplied by the seller, buyer and lender.
- Recording the deed and any other documents.
- Disbursing funds as authorize by the instructions, including charges for title insurance, recording fees, real estate commissions and loan payoffs.
- Preparing final statements for all parties involved that account for the disposition of all funds held in the escrow account.
- Requesting the title insurance policy.