

HOME BUYER'S

Guide to Escrow

What Is Escrow?

When the decision is made to purchase a property, terms and conditions are established for the ownership transfer of that property.

These terms and conditions are given to a third party known as the escrow holder. The escrow holder acts for both parties and protects the interests of each within the authority of the escrow instructions.

How Does the Escrow Process Work?

The escrow is a depository for all monies, instructions and documents necessary for the purchase of your home, including your funds for down payment and your lender's funds and documents for the new loan. Generally, the buyer deposits a down payment, and the seller deposits the deed and any other necessary documents with the escrow holder. Prior to close of escrow, the buyer deposits the balance of required funds with the escrow holder.

The escrow holder delivers the monies to the seller and forwards the deed to the title company for recording. The title company notifies the escrow holder that a policy of title insurance can be issued, showing title to the property is vested in the name of the buyer.

The escrow holder handles the prorations and adjustments on any fire/hazard insurance, real estate taxes, rents, interest, etc., based on the escrow instructions of both parties.

Escrow is completed once all terms and conditions have been satisfied and all parties have signed escrow documents.

How Do I Open an Escrow?

Your real estate agent will open the escrow for you. As soon as you execute your purchase agreement/joint escrow instructions, your agent will place your initial deposit into an escrow account with a closing company.

How Will I Know Where My Money Has Gone?

Written evidence of your deposit is generally included in your copy of the purchase agreement/joint escrow instructions. Your funds will then be deposited in a separate escrow or trust account and processed through a local bank.