

WHAT IS ESCROW?

Buying or selling a home usually involves the transfer of large sums of money. It is imperative that the transfer of these funds and related documents from one party to another be handled in a neutral, secure and knowledgeable manner. For the protection of the buyer, seller and lender, the escrow process was developed.

As a buyer or seller, you want to be certain all conditions of the sale have been met before property and money change hands. The technical definition of an escrow is a transaction where one party engaged in the sale, transfer or lease of real or personal property with another person delivers a written instrument, money or other items of value to a neutral third person, called an escrow agent or escrow holder. This third person holds the money or items for disbursement upon the happening of a specified event or the performance of a specified condition.

Simply stated, the escrow holder impartially carries out the written instructions given by the principals. This includes receiving funds and documents necessary to comply with those instructions, completing or obtaining required forms and handling the final delivery of all items to the proper parties upon the successful completion of the escrow.

The escrow must be provided with the necessary information to close the transaction.

This may include loan documents, tax statements, fire and other insurance policies, title insurance policies, terms of sale, any seller-assisted financing, and requests for payment for various services to be paid out of escrow funds.

If the transaction is depending on arranging new financing, it is the buyer's or buyer's agent's responsibility to make the necessary arrangements. Documentation of the new loan agreement must be in the hands of the escrow holder before the transfer of property can take place. A real estate agent can help identify appropriate lending institutions.

When all the instructions in the escrow have been carried out, the closing can take place. At this time, all outstanding funds are collected and fees-such as title insurance premiums, real estate commissions, termite inspection charges-are paid. Title to the property is then transferred under the terms of the escrow instructions and appropriate title insurance is issued.

Payment of funds at the close of escrow should be in the form acceptable to the escrow to avoid delays in processing.