



Understanding Escrow

WHAT IS AN ESCROW?

The escrow is the process of having a neutral party manage the exchange of money for real property. The escrow holder is known as an escrow or settlement officer or agent. The Buyer deposits funds and the Seller deposits a deed with the escrow holder along with all of the other documents required to remove all "contingencies" (conditions and approvals) in the purchase agreement prior to closing.

WHY DO I NEED AN ESCROW?

Whether you are the buyer, seller, lender or borrower, you want the assurance that no funds or property will change hands until ALL of the instructions in the transaction have been followed. The escrow holder has the obligation to safeguard the funds and/or documents while they are in the possession of the escrow holder, and to disburse funds and/or convey title only when all provisions of the escrow have been complied with.

ESCROW - HOW DOES IT WORK?

The principals to the escrow- buyer, seller, lender, borrower - cause escrow instructions, most usually in writing, to be created, signed and delivered to the escrow officer. If a broker is involved, he will normally provide the escrow officer with the information necessary for the preparation of your escrow instructions and documents.

The escrow officer will process the escrow, in accordance with the escrow instructions, and when all conditions required in the escrow can be met or achieved, the escrow will be "closed." Each escrow, although following a similar pattern, will be different in some respects, as it deals with YOUR property and the transaction at hand.

The duties of an escrow holder include; following the instructions given by the principals and parties to the transaction in a timely manner; handling the funds and/or documents in accordance with instructions; paying all bills as authorized; responding to authorized requests from the principals; closing the escrow only when all terms and conditions have been met; and distributing the funds in accordance with instructions and provide an accounting for same - the Closing or Settlement Statement.

