

What is Escrow



Escrow is an independent impartial third party in which documents and funds are deposited by buyers, sellers and lenders to facilitate the closing for a real estate transaction. As a fiduciary player in the transaction, escrow is required to follow mutual written instructions, terms and conditions from all parties. Escrow will coordinate with the buyer, seller and lenders to obtain required signatures on all documents, work closely with the title officer to clear liens and encumbrances against the property, and record the documents with the county.

Why Do I Need an Escrow? An escrow will provide you with a guarantee that no funds or property will change hands until ALL of the terms and conditions have been followed. The escrow holder has the responsibility to watch over the funds and/or documents and then pay out the funds and/or transfer the title only when all requirements of the escrow have been completed.

How Do I Open an Escrow? Generally, the buyer or seller's real estate agent will open the escrow. As soon as you complete the purchase agreement, the agent will place the buyer's initial deposit, if any, into the escrow account at a title company or into the real estate broker's account.

What Do I Need to Do Before My Appointment to Sign Escrow Papers? All parties signing the documents must bring proper identification. Bring either a valid driver's license, state identification card or current passport with you to the title company. This item is needed to verify your identity by a notary public. This is a routine, but necessary step for your protection.

What's the Next Step After I've Signed the Closing Escrow Papers? After both parties have signed all the necessary instructions and documents, the escrow officer will return the buyer's loan documents to the lender for final review. After the review is completed, the lender is ready to fund the buyer's loan and informs the escrow officer.

How Long is an Escrow? The length is determined by the terms of the purchase agreement and can range from a few days to several months.

What is an "Escrow Closing"? An escrow closing is the climax of the transaction. It signifies legal transfer of title from the seller to the buyer. Generally, the Grant Deed is recorded within one working day of the escrow holder's receipt of loan funds. This completes the transaction and signifies the "close of escrow." Once all the conditions of the escrow have been satisfied, the escrow officer informs you or your agent of the date escrow will close and takes care of the technical and financial details. The final closing papers are disbursed upon close of escrow, when the escrow officer verifies with the County Records Office that the documents have been recorded and legal transfer has occurred.

Who selects the Escrow company? The parties involved in the transaction decide which escrow company will close the transaction. Although it is very common for your real estate agent to recommend an escrow closer, the parties have the right to choose an escrow closer they feel is competent and experienced. The law prohibits escrow companies from paying referral fees to real estate agents, to protect the parties' right to select their own escrow closer.