

ABOUT ESCROW

What Is Escrow?

As a buyer or seller, you want to be certain all conditions of your sale have been met before property and money changes hands. The technical definition of an escrow is, “A transaction where one party engages in the sale, transfer or lease of real or personal property with another person who delivers a written instrument, money or other items of value to a neutral third person, called an escrow agent or escrow holder.” The 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 final delivery of all items to the proper parties upon successful completion of the escrow.

The escrow holder must be provided with the necessary information to close the transaction. This may include loan documents, tax statements, fire and other insurance policies, terms of sale and any financing obtained by buyer, and requests for various services to be paid out of the escrow funds.

If the transaction is dependent on arranging new financing, it is the buyer’s or his 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 instructions in the escrow have been carried out, the closing can take place. At this time, signatures are obtained by all parties, all outstanding funds are collected and fees such as title insurance premiums, real estate commissions, termite inspection charges, etc, are paid. Title to the property is then transferred under the terms of the escrow instructions and the appropriate title insurance policies are issued.

