



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, such as LandAmerica Southland Title.

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.

HOME BUYER'S *Guide to Escrow*



How Long Is an Escrow?

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

What Information Will I Have to Provide?

Confidential Statement of Identity Because many people have the same name, the statement of identity is used to identify the specific person in the transaction by determining date of birth, social security number, etc. The statement form is necessary and the information is kept confidential.

Lender Information Provide the escrow holder with the name, address and phone number of your lender as soon as possible after opening escrow.

Hazard/Fire information If you are purchasing a single family, detached home or, in some cases, a town home, be sure to order your fire/hazard insurance once your loan has been approved. You should immediately begin looking for an insurance agent; not all companies can write fire hazard insurance. Call your escrow holder with the insurance agent's name and phone number so that he/she can make sure the policy complies with your lender's requirements. You must have your insurance in place before the lender will fund money to the title company.

Title To Home Page 14 shows common ways of holding title to help you understand the criteria for determining how you wish to hold title to your home. The escrow holder will need this information in order to prepare the grant deed, and your lender will need this information to prepare loan documents. We suggest you consult an attorney, tax consultant, or other qualified title professional before you decide.

What Is "Close of Escrow"?

The close of escrow signifies legal transfer of title from the seller to the buyer. Approximately three days before the scheduled close of escrow date, the loan documents are executed by the buyer. The new lender takes 24 to 72 hours to review the final executed documents and then wires the loan funds to the title company. Escrow collects the remainder of the buyer's down payment and closing costs. When loan funds are wired, the file is then set up to record (a legal transfer of title from the seller to the buyer). The escrow holder then handles all final accounting, issuance of official closing statements and disbursement of any remaining proceeds to all parties.