Fidelity National Title

Escrow Overview

WHAT IS ESCROW?

Escrow is a transaction where one person delivers something of value to a third person, to be held until the happening of a specified event or condition, upon which it is then delivered by the third person to another. Both parties to a real estate transaction entrust legal documents and various funds to the escrow holder, which transfers the papers and funds upon the closing of escrow. As a neutral third party, both buyer and seller are assured that all mutually agreed to terms are met before the transaction is completed.

CONVENIENCE

Using the escrow holder as a common depository, the buyer and seller can proceed simultaneously in providing funds, deeds, inspection reports, insurance information, and other required documents. Both parties give written instructions, the requirements of which must be met before the transaction is complete, to an experienced escrow officer. Lenders also specify their conditions for completing the loan process. Provided that the instructions are clear and mutually consistent, the escrow officer, as a limited agent for all parties, saves time in the closing process.

PROTECTION

The authority given to an escrow holder is strictly limited by instructions provided by the buyer and seller. The escrow officer is authorized by instructions to allocate funds for items during the escrow period, such as real estate commissions, title insurance, liens, recording fees, and other closing costs. Instructions also specify the method of collecting funds, proration of insurance and taxes, and time limitations on settling the transaction. The escrow process protects all parties involved by retaining money and documents until mutual instructions are met.

Confidentiality is another important aspect of escrow. To effectively handle a transaction, your escrow officer must be instructed as to the required terms necessary to close. The officer will discuss escrow matters only with the parties directly involved, specifically the buyer, seller, lender, and real estate agent. No one else has access to this information, except through proper legal procedures. The escrow officer retains impartiality and confidentiality concerning the real estate process.

CLOSING ESCROW

Upon closing, the escrow holder causes the required documents to be recorded and disburses funds according to the instructions given to the escrow officer. Escrow fees are included in these costs, and are based on the sales price of the property, the loan amount, and services required.

RESPONSIBILITIES OF EACH PARTY

THE BUYER

- Deposits funds to pay the purchase price, and funds for property and closing costs.
- Provides deed of trust or mortgages needed to secure the loan.
- Arranges for borrowed funds to be deposited into escrow.
- Provides, if required, documents such as inspection reports, insurance policies and lien information to verify compliance to the instructions.

THE SELLER

- Deposits the deed to the buyer with the escrow holder.
- Provides evidence to meet the buyer's condition of sale, such as proof of repair work and inspections.
- Submits other documents, such as tax receipts, mortgage information, insurance policies, and warranties.

THE LENDER

- Deposits loan funds, lender instructions, and other loan documents with the escrow holder.

THE ESCROW HOLDER

- Serves as a central depository for funds and documents.
- Obtains a title insurance policy, when required.
- Fulfills the lender's requirements if applicable.
- Secures approval from the buyer on requested documents.
- Prorates insurance, taxes, and rents, as instructed.
- Fulfills buyer and seller instructions.
- Allocates funds for closing costs, and verifies that required funds from each party are deposited into escrow.
- Once all conditions are met, the escrow holder causes the necessary documents to be recorded. Executed loan documents are forwarded to the lender.