



Understanding “Escrow” AND ITS IMPORTANCE TO YOU

An escrow is an independent, neutral intermediary that manages the exchange of money for real property.

Whether you are the buyer, seller, lender, or borrower, you want the comfort of knowing that no funds or property will change hands until all of the instructions in the transaction have been followed and conditions met. The escrow holder, while maintaining the privacy of the consumer, must safeguard the funds and documents while they are in the possession of the escrow holder. When all conditions of the escrow transaction have been met and the parties agree, the escrow holder will disburse funds and record the documents conveying the title.

ESCROW: HOW DOES IT WORK?

Once the parties to the transaction (buyer/seller/lender and/or borrower) have reached an agreement, the signed contract or purchase agreement, along with the buyer’s earnest money deposit, is submitted to the escrow holder. At that point, an escrow is opened. The escrow holder will now follow the mutual written instructions of the buyer and seller, maintaining a neutral stance to facilitate the successful exchange of money and property between the parties. The escrow holder will also follow the instructions of the lender in meeting their conditions. The duties of an escrow holder include, but are not limited to:

- The processing and coordination of the flow of documents and funds
- Ordering the title search which will indicate the record of ownership and status of the subject property
- Responding to lender’s requirements
- Responding to authorized requests from parties to the transaction
- Preparation of a final statement for each party (often referred to as the Settlement Statement) that shows the costs and charges associated with the transaction
- Coordinate with lender on the preparation of the Closing Disclosure
- Facilitation of the signing of loan documents
- Closing of the escrow, only when all conditions are met and funds are in place in accordance with instructions

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