

Defining Title Insurance

UNDERSTANDING ESCROW

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 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 holder 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 impartially and confidentiality concerning the real estate process.

CLOSING ESCROW

Upon closing escrow, 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, loan amount, and services required.



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