

Escrow 101

What escrow is, what the escrow holder does, and their duties.

Escrow is the process by which the interests of all parties in a real estate transaction are protected, ensuring that all conditions of the sale have been met before property and money change hands.

The escrow is an independent depository wherein all funds, instructions, and documents for the purchase of your home are held. These items include your down payment, your lender's funds, documents for the new loan, hazard and title insurance, inspection reports and the grant deed from the seller. At the close of escrow, the "escrow holder" delivers these items to the appropriate parties, disburses the funds and handles the associated paperwork.

What does an escrow holder do?

- ▶ The escrow holder is a neutral third party that maintains the escrow account and impartially oversees the escrow process, making sure all conditions of the sale are properly met.

Duties of the escrow holder include:

- ▶ Request a preliminary title search to determine status of title to the property
- ▶ Receive and hold all monies, instructions and documents pertaining to the purchase
- ▶ Request a beneficiary statement or payoff demand from existing lenders
- ▶ Comply with the lender's requirements in its instructions to escrow
- ▶ Prepare or obtain the grant deed
- ▶ Prorate taxes, interest, insurance, rents, and other costs related to the transfer of title
- ▶ Record the deed and other documents
- ▶ Request the title insurance policy
- ▶ Close the escrow according to the mutual instructions of the buyer, seller and lender
- ▶ Disburse funds as authorized by the instructions, including loan payoffs, recording fees, title insurance, charges for real estate commissions and other costs
- ▶ Prepare the final statement of disposition of all funds, commonly referred to as the HUD-1



For more information contact your local Advantage One escrow officer.

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