

The Escrow Process

Understanding what happens during an escrow



► Prepare Escrow Instructions on the escrow holder's printed form:

All principals to the escrow sign instructions which fully set forth the understanding of the parties to the transaction. Usually accompanied by an initial deposit. For a home purchase, the mutual instructions of the principals set forth:

- the purchase price and terms;
- agreement as to mortgages;
- how buyer's title is to vest;
- matters of record subject to which buyer is to acquire title;
- inspection reports to be delivered into escrow;
- proration adjustments;
- date of buyer's possession of the property;
- documents to be signed by the parties, delivered into escrow, and recorded;
- disbursements to be made, costs and charges and who pays for them; and
- date of closing.

► The Preliminary Report:

Order Title Search on the subject property, resulting in a "Preliminary Report" from the title company. The escrow holder examines this report carefully for items not contemplated in the escrow instructions. The seller must clear any such item or it must be brought to the attention of the buyer "for information" and "expression of desire in the matter."

► Statement of Information:

Request Demands and/or Beneficiary Statements from any lenders of record. The necessary document will be:

- a "Demand for Pay-off" if an existing loan is to be paid in full through escrow; or
- a "Beneficiary Statement" if buyer is purchasing "subject to" or assuming a loan.

► Inspections and Invoices:

Accept Structural Pest Control Report and Other Reports (such as plumbing or roofing inspections) into escrow and obtain, as instructed, any necessary approvals from the parties in connection with the reports/inspections. Hold the reports (and any funds associated therewith) for delivery to the proper party, or recording, at close of escrow

► Accept New Loan Instructions and Documents:

Accept New Loan Instructions and Documents if the buyer is obtaining new financing. Obtain buyer's approval/execution of the documents. Satisfy all lender's instructions prior to using the lender's funds to complete the transaction.



▶ Accept Fire Insurance Policies and Complete Settlement by:

- Accepting and delivering any fire insurance policy and transferring the insurance if so instructed by the parties
- Making all prorations (e.g., property taxes and insurance) as instructed by the parties
- Completing the accounting (settlement) details and informing the principals that escrow is ready to proceed

▶ Requesting Closing Funds:

The law prohibits disbursement of funds from an escrow account until all items such as checks, drafts, etc. have cleared and become available for withdrawal. After the buyers and sellers have completed their signing, the escrow officer will request funds from the new lender. Your escrow officer will complete a funding package that includes all the escrow documents the lender wants to review prior to funding. Lenders final review and funding can take 24-72 hours depending on the lender and their requirements. Your escrow officer can advise you when funds are received from the new lender.

▶ Audit File in Preparation for Closing by:

- Accounting for all funds (Cash Reconciliation Statement) and documents;
- Determining that the parties have complied with all escrow instructions.

▶ Order Recording:

Order Recording by authorizing the title company to run the seller's title to date and record the necessary documents, provided no change has occurred in the seller's title since issuance of the preliminary title report.

▶ Close Escrow, after confirming recording, by:

- Preparing settlement statements for buyer and seller;
- Disbursing all funds; and
- Delivering documents to the party or parties entitled thereto

For more information contact your local Advantage One escrow officer.

www.AdvantageOneEscrow.com

