

WHAT HAPPENS IN ESCROW?

WHY IS ESCROW NEEDED?

Escrow is an arrangement in which a disinterested third party (an escrow company), holds legal documents and disburses funds on behalf of a buyer and seller, and distributes them according to the buyer and seller's instructions.

People buying and selling real estate open escrow for their protection and convenience. The buyer can instruct the escrow holder to disburse the purchase funds only upon the satisfaction of certain prerequisites and conditions. The seller can instruct the escrow holder to retain possession of the deed until the seller's requirements, including receipt of the purchase price, are met. Both rely on the escrow holder to faithfully carry out their mutually consistent instructions relating to the transaction and to advise them if any of their instructions are not mutually consistent or cannot be carried out.

Escrow is convenient for the buyer and seller because both can move forward separately but simultaneously in providing inspections, reports, loan commitments, funds, deeds, and many other items, using the escrow holder as the central deposit point.

If the instructions from all parties to escrow are clearly drafted, fully detailed and mutually consistent, the escrow holder can take many actions without further consultation. This saves much time and facilitates a smooth closing of the transaction.

SELLER RESPONSIBILITIES:

- Deposits all documents required by the sales agreement.
- Fulfills all other buyer conditions of the contract.
- Fulfills all other seller conditions of the contract.

BUYER RESPONSIBILITIES:

- Deposits all documents required by the sales agreement.
- Deposits own funds to complete the sale, if required.
- Approves inspection reports, preliminary title reports, etc.
- Fulfills all other buyer conditions of the contract.

LENDER RESPONSIBILITIES:

- Deposits loan funds for the buyer.
- Stipulates the conditions of disbursing loan funds.

ESCROW COMPANY RESPONSIBILITIES:

- Opens the order for title insurance.
- Obtains buyer approval on preliminary title report.
- Obtains approval on pest inspections and other reports.
- Receives funds from buyer and/or lender.
- Prorates insurance, taxes, rents, etc.
- Disburses funds as required by the sales agreement.
- Prepares final statements for each party.
- Records deed and loan documents.
- Delivers deed to the buyer.
- Delivers loan documents to the lender.
- Delivers funds to the seller.
- Closes escrow.



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