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## WHAT IS AN ESCROW

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An escrow is a deposit of funds, a deed or other instrument by one party for the delivery to another party upon completion of a specific condition or event. It is an independent neutral account by which the interests of all parties to the transaction are protected.

When opening an escrow, the buyer and seller of a piece of property establish terms and conditions for the transfer of ownership of that property. These terms and conditions are given to a third, impartial party known as the escrow holder. The escrow holder has the responsibility of seeing that the terms are carried out.

The escrow is a "storehouse" for all monies, instructions and documents necessary for the sale of your home. This includes the buyer providing funds for a down payment, and the seller depositing the deed and any other necessary papers.

### **Why Do I Need an Escrow?**

An escrow will provide you with a guarantee that no funds or property will change hands until ALL of the terms and conditions have been followed. The escrow holder has the responsibility to watch over the funds and/or documents and then pay out the funds and/or transfer the title only when all requirements of the escrow have been completed.

### **How does the Escrow Process Work?**

The buyer, seller, lender and/or borrower cause escrow instructions to be created, signed and delivered to the escrow officer. The escrow officer will then process the escrow, in accordance with the escrow instructions. When all conditions required in the escrow are met, the escrow is "closed".

Prior to close of escrow, the buyer deposits the funds required with the escrow holder. The buyer instructs the escrow holder to release the money to the seller when:

- The deed records
- A policy of title insurance will be prepared and delivered to the buyer

The escrow holder acts for both parties and protects the interests of each within the power of the escrow instructions. Escrow cannot be completed until the instructions have been fully satisfied and all parties have signed escrow documents. The escrow holder takes instructions based on the terms of the purchase agreement and the lender's requirements.

The duties of the escrow holder include:

- Managing the funds and/or documents in accordance with instructions
- Paying all bills as authorized
- Responding to requests from the principals
- Closing the escrow only when all terms and conditions have been met
- Distributing the funds accordingly

**How Do I Open an Escrow?** Generally, the buyer or seller's real estate agent will open the escrow. As soon as you complete the purchase agreement, the agent will place the buyer's initial deposit, if any, into the escrow account at a title company or into the real estate broker's account.

**What Do I Need to Do Before My Appointment to Sign Escrow Papers?** All parties signing the documents must bring proper identification. Bring a valid driver's license, state identification card or current passport with you to the title company. This item is needed to verify your identity by a notary public. This is a routine, but necessary step for your protection.

**What's the Next Step After I've Signed the Closing Escrow Papers?** After both parties have signed all the necessary instructions and documents, the escrow officer will return the buyer's loan documents to the lender for final review. After the review is completed, the lender is ready to fund the buyer's loan and informs the escrow officer.



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**How Long is an Escrow?** The length is determined by the terms of the purchase agreement and can range from a few days to several months.

**What is an "Escrow Closing"?** An escrow closing is the climax of the transaction. It signifies legal transfer of title from the seller to the buyer. Generally, the Grant Deed is recorded within one working day of the escrow holder's receipt of loan funds. This completes the transaction and signifies the "close of escrow." Once all the conditions of the escrow have been satisfied, the escrow officer informs you or your agent of the date escrow will close and takes care of the technical and financial details. The final closing papers are disbursed upon close of escrow, when the escrow officer verifies with the County Records Office that the documents have recorded and legal transfer has occurred.

## WHAT IS TITLE INSURANCE?

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### Why do I need title insurance?

Owning real estate is one of the most precious values of freedom in this country. Get the assurance that the property you are buying will be yours. Other than your mortgage holder, no one else should have any claims or restrictions against your home.

Title insurance eliminates any risks and losses caused by faults in title from an event that occurred before you owned the property.

### How does title insurance differ from other types of insurance?

Title insurance is different from other types of insurance in that it protects you, the insured, from a loss that may occur from matters or faults from the past. Other types of insurance such as auto, life or health cover you against losses that may occur in the future. Title insurance does not protect against any future faults.

Another difference is that you pay a one-time premium. A title insurance policy will protect you from risks or undiscovered interests.

There are two principal forms of title insurance:

1. The lender's policy
2. The homeowner's policy

**What is a lender's policy?** A Lender's policy protects the mortgage holder. If there is a fault in title that results in a loss, the mortgage holder will be paid back.

**What is a homeowner's policy?** A homeowner's policy protects you, the purchaser, against a loss that may occur from fault in your ownership or interest you have in the property. You should protect the equity in your new home with a title policy.

### What does a homeowner's policy provide?

- Protecting from financial loss due to demands that may be charged against the title to your home, up to the cost of the title policy.
- Payment of legal costs if the title insurer has to defend your title against a covered claim.
- Payment of successful claims against the title to your home covered by the policy, up to the cost of the policy.

### What "hidden risks" are protected under a title policy?

- False impersonation of the true owner of the property by the seller or other persons previously in title.
- Forged deeds, releases and other documents.
- Deeds by persons of unsound mind.
- Deeds by minors
- Invalid documents completed by an expired power of attorney
- Invalid deeds delivered after the death of the grantor



**What "hidden risks" are protected under a title policy – CONTINUED?**

- Deeds by supposedly single persons but actually married
- Fraud
- Claims for unpaid estate inheritance and gift taxes against prior owners of your home.
- Unrecorded easements - giving one party the right to enter another party's property
- Undisclosed descendents of former owners of your home or the land on which it is situated

**How long does my coverage last?**

Once purchased, title insurance remains in effect for as long as you own your property. Title insurance adds security and peace of mind to homeownership.

**How do I obtain title insurance and what does it cost?**

Let the Title Company, attorney or agent handling the closing of your property know that you want to purchase an Owner's Title Insurance Policy. When choosing a title insurer, look for a company with experience, as well as the financial strength to protect you.

In most states, the insurance commission or some other governmental body controls the premiums for title insurance policies. You only pay the premium once. The cost depends upon the purchase price of the property, and your policy amount must be equal to the purchase price.

For an estimate of title insurance fees please [contact us](#).