

What Exactly Is An Escrow?

An escrow is a neutral, independent "stakeholder" account and is the vehicle by which the interests of all parties to the transaction are protected. The escrow is a depository for all monies, instructions and documents necessary for the sale/purchase or refinances of real property, including the funds for the down payment and closing costs, the deed from the seller and the lender's funds and documents for the new loan. The escrow officer takes instructions based on the terms of the purchase agreement between the buyer and seller and lender's requirements.

The escrow holder:

- Serves as a neutral third party and liaison among all parties involved.
- Accepts "Earnest Money" or initial deposit from buyers and notifies all parties.
- Requests a preliminary report to determine the status of the title to the property.
- Prepares Escrow instructions and all remaining documents relating to the transaction.
- Request a payoff demand from beneficiaries when the seller is paying off debts.
- Receives demands, termites and certain other inspections.
- Prorates taxes and any applicable assessments related to the property as required by the contract.
- Receives buyer's loan documents, Evidence of Homeowners Insurance and Closing Disclosure previously sent to Buyer by Lender.
- Reviews file to determine that all conditions have been met and all outstanding documents have been executed by all parties.
- Receives funds from buyer and verifies any checks deposited to Escrow account.
- Requests loan funds from buyer's lender.
- Records the deed and any other documents.
- Disburses funds as authorized by the instructions, including charges for title insurance, recording fees, real estate commissions are loan payoff.
- Causes the title insurance policy to be issued for buyer and lender, if a lender has been used.

Escrow cannot be completed until all parties have signed the escrow documents and all the conditions in escrow have been satisfied.

How is escrow opened?

As soon as the buyer and seller execute the purchase agreement, the real estate agent(s) will open escrow. The buyer will deposit their earnest money deposit into the escrow trust account at Corinthian Title Company.

What information do the buyer and seller have to provide?

The buyer must inform the Escrow Officer and new lender of the manner in which the buyer will hold title to their new home so that all documents can be prepared correctly. The manner in which the buyer holds title can have tax and legal consequences. We suggest you consult your attorney or tax adviser to assist you in your decision.

(continued on reverse)

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What Exactly Is An Escrow? (continued from other side)

In addition, all parties in the escrow will be asked to complete a statement of information as part of the necessary paperwork. Because many people have the same or similar names, the statement of information is used to identify the specific person in the transaction through such information as date of birth, social security number, etc. This information is kept strictly confidential.

How long does it take to complete escrow?

The length of an escrow is determined by the terms of the purchase agreement between the buyer and seller. It is normally 30 to 45 days, but can range from a few days to several months.

How does the loan process work?

The real estate agent can provide current financing information to help the buyer in selecting a lender. The lender might be a bank, savings and loan, or a mortgage company. The borrower will be required to complete a loan application, which will require personal and financial information.

What happens after the borrower submits the loan application?

The lender will issue a Loan Estimate to Buyer and will begin the qualification process including verification of information submitted on the application, a credit report, and an appraisal of the value of the property.

The lender will require that the borrower obtain hazard/fire insurance and flood insurance, if the property is in a specific type of flood hazard zone. It is important that the borrower contact the Escrow Officer as soon as possible with the name and telephone number of the insurance agent the borrower has selected.

It is also a requirement of the lender that the borrower furnish a policy of title insurance, which protects their security interest in the property. The Escrow Officer will order this title policy as part of the escrow process.

Once the loan is approved, the lender will issue a Closing Disclosure to borrower three days prior to consummation of the loan. The lender prepares the loan documents and forwards them to the Escrow Officer who will contact the buyer for an appointment to sign. The Escrow Officer will tell the buyer the balance of the down payment and closing costs needed to close the escrow pursuant to the issued Closing Disclosure.

What do the parties need to bring with them when they come to the title company to sign?

- Identification in the form of a valid driver's license or California ID Card, or a current valid passport. Identification is required so the signing party's identity can be verified by the notary public. Also, California's Secretary of State requires that the Notary obtain a thumbprint in the Notary's journal. This is routine and for the protection of the signer.
- A cashier's check for the balance of funds needed to close the escrow, made payable to Corinthian Title Company. A personal check may delay the closing since California's "good funds" law imposes specific time periods for the clearance of personal checks. A wire transfer of funds directly to the escrow trust account can also be arranged.

When is "close of escrow"?

After the loan documents have been signed, they are returned to the lender for review. When all the conditions of the lender and those contained in the escrow instruction have been satisfied, the lender will forward the loan funds to the title trust account. Once the documents are recorded, the funds in the escrow are disbursed to the entitled parties and escrow is "closed".