



**TERRA FIRMA**  
GLOBAL PARTNERS

## UNDERSTANDING ESCROW

### WHAT IS ESCROW?

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.

Escrow is an independent depository wherein all funds, instructions, and documents for the purchase of your home are held, including 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.

### OPENING THE ESCROW

The Buyer's Real Estate Agent will open the escrow and request the initial deposit be wired or delivered to the escrow office and placed into an escrow account as soon as the buyer executes the sales agreement. At the opening of escrow, the buyer may be asked to provide identification information such as birth date and social security number. This information remains confidential.

### WHAT DOES AN ESCROW HOLDER DO?

The Escrow Holder is a neutral third party, such as First American Title, that maintains the escrow account and impartially oversees the escrow process making sure all conditions of the sale are properly met.

The Escrow Holder's duties include:

- serving as the neutral third agent and the liaison between all parties involved.
- requesting a preliminary title search to determine the status of title of the property.
- requesting a beneficiary statement of debt or obligations to be taken over by the buyer.
- requesting a payoff demand from beneficiaries when the seller is paying off debts.
- complying with the lender's requirements as specified in their instructions to escrow.
- securing releases of all contingencies or other conditions imposed on the escrow.
- preparing or securing the deed and other documents related to escrow.
- prorating taxes, interest, insurance, and rents.
- preparing escrow instructions.
- receiving purchase funds from the buyer.
- receiving loan funds from the buyer's lender.
- closing the escrow pursuant to instructions supplied by the seller, buyer and lender.
- recording the deed and any other documents.
- disbursing funds as authorized by the instruction including charges for title insurance, recording fees, real estate commissions and loan payoffs.
- preparing final statements for all parties involved that account for the disposition of all funds held in the escrow account.