

THE ESCROW PROCESS

WHAT IS AN ESCROW? An escrow is a process wherein the Buyer and Seller deposit written instructions, documents, and funds with a neutral third party until certain conditions are fulfilled. In a real estate transaction, the Buyer does not pay the Seller directly for the property. The Buyer gives the funds to an escrow company who, acting as an intermediary, verifies that title to the property is clear and all written instructions in the contract have been met. The company then transfers the ownership of the property to the Buyer through recordation and pays the Seller. This process protects all parties involved.

States license and regulate all title and escrow companies. The governing state departments can inspect a company's records at any time, providing further oversight of the company's management and position as an impartial third party to the transaction.

Escrow services are generally provided by a title insurance company instead of an attorney. The stability, reliability, and performance of your title and escrow company are vital to protect the interests of all parties to the transaction.

HOW IS AN ESCROW OPENED? Once you have completed the contract, or Purchase Agreement, and the Seller has accepted the offer, your real estate agent or lender will open the escrow. The earnest money deposit and the contract are placed in escrow. As a neutral party to the transaction, First American can respond only to those written instructions agreed to mutually by all "interested" parties (Seller and Buyer); First American cannot otherwise alter the contract or create instructions, which protects all interested parties.

HOW TO HOLD TITLE. You should inform your escrow officer and lender as soon as possible of how you wish to hold title to your home and exactly how your name(s) will appear on all documents. This allows your lender and title company to prepare all documents correctly. (Changes later, such as adding or deleting an initial in your name, can delay your closing.) You may wish to consult an attorney, accountant or other professional before deciding how to hold title.

WHAT HAPPENS AT FIRST AMERICAN? During the escrow period, our title department begins researching and examining all historical records pertaining to the subject property. Barring any unusual circumstances, a commitment for title insurance is issued, indicating a clear title or listing any items which must be cleared prior to closing. The commitment is sent to you for review. (See Explanation of Title Commitment on page 15.)

Your escrow officer follows instructions on your contract, coordinates deadlines, and gathers all necessary paperwork. For example, written requests for payoff information (called "demands") are sent to the Seller's mortgage company and any other lien holders.

AS PART OF OUR SERVICE, FIRST AMERICAN WILL:

OPEN escrow and deposit your "good faith" funds in a separate escrow account.

CONDUCT a title search to determine ownership and status of the subject property.

ISSUE a title commitment and begin the process to delete or record items to provide clear title to the property.

Per contract, **CONFIRM** that the lender has determined you, the Buyer, are qualified for a new loan.

MEET all deadlines as specified in the contract.

REQUEST payoff information for the Seller's loans, other liens, homeowners association fees, etc.

PRORATE fees, such as property taxes, per the contract, and prepare the settlement statement.

SET separate appointments: Seller will sign documents; you will sign documents and deposit funds.

REVIEW documents ensuring all conditions and legal requirements are fulfilled; request funds from lender.

When all funds are deposited, **RECORD** documents at the County Recorder to transfer the subject property to you.

After recordation is confirmed, **CLOSE** escrow and disburse funds, including Seller's proceeds, loan payoffs, real estate agent/broker commissions, related fees for recording, etc.

PREPARE and send final documents and title policies to parties involved.