

# What is ESCROW?



**The most basic meaning of the word escrow is money and/or documents held in trust by an independent third party during the course of a transaction.**

Escrow, Closing or Settlement Agents have one of the most crucial roles in the homebuying process. The Agents protect the funds that are deposited, as well as guard our customers' nonpublic personal information that appears on many of the documents they handle. They gather all funds and instructions and make sure the wishes of all the parties are carried out and that the funds are properly paid out to all service providers, in addition to the Seller.

Most commonly, the Escrow, Closing or Settlement Agent is part of the title insurance agency handling the real estate title work for the transaction. When opening an order for the escrow closing, the Buyer and Seller of a piece of real property establish conditions for the transfer of ownership. These terms and conditions (closing instructions) are given to the Escrow, Closing or Settlement Agent. The Agent has the responsibility of seeing that the parties' written instructions are followed.

When all the requirements of the contract have been fulfilled, the closing can take place. At this time, all outstanding funds are collected and fees — such as title insurance premiums, real estate commissions, inspection charges — are paid. Title to the property is then transferred under the terms of the contract and appropriate title insurance is issued.

**North American Title will be happy to answer any questions you may have.**



## What an Escrow Agent typically handles:

- Serves as the neutral “stakeholder” and the communications link to all parties in the transaction
- Prepares settlement statements and disclosures
- Requests a title commitment to verify ownership and determines whether liens and encumbrances must be cleared before close
- Requests a beneficiary's statement if debt or obligation is to be assumed by the Buyer, or a demand if the loan will be paid off
- Complies with Lender's requirements, specified in the closing instructions
- Receives purchase funds from the Buyer, Lender and sometimes Seller
- Secures the deed or other documents related to closing the transaction
- Prorates taxes, interest, insurance and rents, according to the contract and Lender's closing instructions
- Records deeds, deeds of trusts and any other documents as instructed
- Coordinates the issuance of the title insurance policy
- Disburses funds as authorized by instructions, including charges for title insurance, recording fees, real estate commissions and loan payoffs

## The Escrow Agent does not:

- Offer legal or tax advice
- Negotiate the transaction
- Offer investment advice