

# NORTH AMERICAN TITLE COMPANY

## What is Escrow?



**AS A BUYER OR SELLER**, you want to be certain all the conditions of sale have been met before property and money change hands.

The technical definition of an escrow is a transaction where one party engaged in a sale, transfer or lease of real property with another party delivers the real estate contract and earnest money to a neutral third party, which is the title company. This third party holds the money pursuant to the contract terms.

Simply stated, the title company impartially executes the terms of the real estate contract. This includes receiving funds and documents necessary to comply with the contract, completing or obtaining required forms, and handling final delivery of all items to the proper parties upon the successful completion of the closing.

The title company must be provided with the necessary information to close the transaction. This may include loan documents, tax statements, fire and other insurance policies, title insurance policies, terms of sale and any seller-assisted financing, and requests for payment for various services to be paid out of escrow funds.

If the transaction is dependent on arranging new financing, it is the Buyer's or the Buyer's Agent's responsibility to make the necessary arrangements. Documentation for the new loan must be in the hands of the title company before the closing can take place. A real estate agent can help identify appropriate lending institutions.

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.

Payment of funds at the closing should be in the form of good funds as required by Colorado Revised Statute.

The following items represent a typical list of what an escrow agent does and does not do:

### THE ESCROW AGENT:

- ▶ Serves as neutral “stake holder” and communication link to all parties in the transaction
- ▶ Prepares a title commitment to determine the present condition of title to the property
- ▶ Requests an assumption statement if debt or obligation is to be taken over by the Buyer
- ▶ Works with the Lender to prepare the Closing Disclosure for the closing, which includes instructions for the disposition of all funds handled in the transaction
- ▶ Complies with Lender's instructions
- ▶ Receives the balance of down payment and closing costs funds from the Buyer and loan proceeds from Lender
- ▶ Secures the deed or other documents related to closing
- ▶ Prorates taxes, interest, insurance and rents according to instructions
- ▶ Closes when all the parties are ready to schedule
- ▶ Secures releases of all contingencies or other conditions as imposed on any particular file
- ▶ Records deeds and any other documents after funding
- ▶ Issues the title insurance policy/ policies
- ▶ Disburses funds as authorized by Closing Disclosure, including the charges for title insurance, recording fees, real estate commissions and loan payoffs

### THE ESCROW AGENT DOES NOT:

- ▶ Offer legal advice
- ▶ Negotiate the transaction
- ▶ Offer investment advice

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