

UNDERSTANDING ESCROW

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WHAT IS ESCROW?

At its essence, escrow is the process whereby parties to the transfer or financing of real estate deposit documents, funds, or other things of value with a neutral and disinterested third party (the escrow agent), which are held in trust until a specific event or condition takes place according to specific, mutual written instructions from the parties. Escrow is essentially a clearinghouse for the receipt, exchange, and distribution of the items needed to transfer or finance real estate. When the event occurs or the condition is satisfied, a distribution or transfer takes place. When all of the elements necessary to consummate the real estate transaction have occurred, the escrow is “closed”.

Section 17003(a) of the California Financial Code defines escrow as “...any transaction in which one person, for the purpose of effecting the sale, transfer, encumbering, or leasing of real or personal property to another person, delivers any written instrument, money, evidence of title to real or personal property, or other thing of value to a third person to be held by that third person until the happening of a specified event or the performance of a prescribed condition, when it is then to be delivered by that third person to a grantee, grantor, promisee, promisor, obligee, obligor, bailee, bailor, or any agent or employee of any of the latter”.

For your reference, the California Escrow Law is contained in Division 6 of the Financial Code, commencing with Section 17000, and Subchapter 9, Title 10 of the California Code of Regulations, commencing with Section 1700.

In addition to its elusive nature, escrow transactions can be unpredictable and stressful for the participants. It is safe to say that you cannot fully understand and appreciate how escrow works and what to expect until you have personally been involved in an escrow transaction. A successful escrow is usually the product of an experienced team of real estate, title, and escrow professionals working together to guide you through this short lived, yet very important, arrangement.

WHY IS ESCROW IMPORTANT?

Escrow is a service that protects the public and minimizes the potential risk involved in any real estate transaction. With an experienced neutral third party in possession of the legal documents and funds, which party is obligated to safeguard the instruments and funds, buyers and sellers, as well as lenders and borrowers, can safely interact with one another and be assured that no legal documents will be recorded, and no funds will be released, until all of the conditions of the real estate contract or agreement between the parties have been completed.

WHAT DOES THE CLOSE OF ESCROW MEAN?

The date the documents are recorded and title passes from Seller to Buyer. On this date, the Buyer becomes the legal owner, and title insurance becomes effective.

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Contact Title365 or our representative listed below for your escrow needs.