

What is Escrow?

Overview

Once your offer on a home or other real property has been accepted by the seller, your transaction is then placed into “escrow.”

“Escrow” is a term that describes the neutral third-party handling of funds, documents, and tasks specific to the closing (or settlement, as it is also known), as outlined on the real estate purchase agreement or sales contract. The purpose of escrow is to facilitate the transaction by managing the disbursement of funds and documents.

Key Players

In accordance with local custom, the buyer or seller involved in the transaction will select the escrow provider, though they often defer to their real estate agent to make this decision. This provider could be an escrow company, title officer, or title/escrow attorney, depending upon many considerations, including the geographical location of the transaction.

Roles

The escrow provider may have a duty to arrange and/or track the requirements and contingencies outlined within the purchase contract. These might include home inspections, the purchase of homeowners insurance, the completion of negotiated repairs, and financing requirements.

Process

Once all transaction contingencies are met, including the execution of all documents necessary to complete the transaction, the escrow company will disburse funds to the seller and other parties, all in accordance with the purchase agreement.

Cost

The cost of escrow services is covered by the buyer or seller as determined by local custom, market conditions, or contractual agreements made within the purchase offer.

“Closing”

Once all the tasks described within the sales purchase agreement have been completed and the appropriate funds are disbursed, the transaction is complete and the escrow closes.



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