

ESCROW & CLOSING

WHAT IS ESCROW?

Making a very large purchase, such as a house, causes buyers, sellers and lenders to seek reassurance about all the security measures that are in place to protect the funds involved in the closing transaction. Transferring large sums of money and finalizing the details of your sale needs to be done safely and in compliance with the latest security and privacy standards. To help minimize risks during real estate transactions, the escrow/settlement process was developed to protect the buyer, seller and lender.

An escrow account is basically a temporary pass through account held by the escrow holder. The escrow holder is a neutral third party that holds funds and related documents in a secure manner while the parties work through the details of the real estate transaction. Escrow ensures the conditions of the real estate transaction have been met before the property and/or money change hands.

HOW DOES ESCROW WORK?

The escrow process starts when a party to a real estate transaction (seller, seller's agent, buyer or buyer's agent) opens the escrow after a written sale agreement is reached. Upon opening, the escrow holder should be provided with the terms of the sale and the information necessary to carry out tasks. The escrow holder's duties and the timing of key tasks vary between states.

While your real estate transaction is in escrow, your escrow officer and real estate agent will work with you to make sure the right steps are taken at the right time. Tasks that the escrow holder may complete include:



- Coordinating communications between all parties in the transaction
- Preparing written escrow instructions
- Requesting a preliminary report or commitment
- Requesting a statement of identity (information) from the buyer or seller as needed
- Ordering demands or beneficiary statements
- Receiving bills from home warranty companies, as well as pest, roof, home and other inspection companies
- Preparing or securing the deed or other recordable documents
- Complying with lender's requirements
- Prorating taxes, interest, insurance and rents
- Receiving purchase funds required for closing
- Coordinating recording of deeds and any other necessary documents
- Closing escrow when all the instructions of the buyer, seller and lender have been carried out
- Disbursing funds as authorized, including charges for title insurance, recording fees, real estate commissions and loan payoffs
- Preparing final statements for the parties, which account for the disposition of all funds deposited in escrow

When all instructions in escrow have been carried out to the satisfaction of each party, the escrow is ready to be closed. At closing, the title to the property is transferred to the buyer, the sales proceeds are paid over to the seller, necessary documents are recorded and title insurance is issued. It is important to note that the escrow holder does not offer legal advice, negotiate the transaction or offer investment advice.

For more information, please contact your local Old Republic Title representative, or visit our website at oldrepublictitle.com.

THE ESCROW PROCESS

Buyer/consumer must receive the Closing Disclosure (CD) at least three business days prior to the date the buyer/consumer is scheduled to sign the loan documents.

ESCROW OPENED

Escrow number issued, contract and deposit received by escrow.

Preliminary Report/Commitment prepared and distributed for review.

Additional terms and appropriate invoices from companies such as termite companies, homeowner associations, roofers, inspection companies, home warranty companies, etc., forwarded to the Escrow Officer.

CLOSING DISCLOSURE SENT BY THE LENDER OR ESCROW OFFICER TO THE BUYER FOR REVIEW

Seller Closing Disclosure sent to the seller by the Escrow Officer.
Estimated Settlement Statement sent to the respective buyer's and seller's agents.

Escrow receives loan documents and lender instructions for scheduling the signing.

SIGNING DATE IS SCHEDULED

Buyer and Seller to bring valid ID to the signing appointment.
Buyer to bring funds to close.

Signed documents are returned to the lender and funds are requested to close.

Funds are received from the lender and documents sent to the County Recorder for recording.

Confirmation of recording is received, funds are disbursed, final settlement statement is prepared and final CD is sent to the buyer by the lender or Escrow Officer.

CONGRATULATIONS

Escrow is now closed. Keys are typically delivered by the agents to the new homeowner and the Owner's Title Policy is delivered by mail.



COMMON TERMS

Closing Disclosure

The five-page Closing Disclosure, also referred to as CD, must be provided to the consumer three business days before they close on the loan. The Closing Disclosure details all of the costs associated with their mortgage transaction.

Consummation

Consummation is not the same thing as closing or settlement. Consummation occurs when the consumer becomes legally obligated to the creditor on the loan, not, for example, when the consumer becomes contractually obligated to a seller on a real estate transaction.

Loan Estimate

A three-page Loan Estimate (also called LE) must be provided to the consumer no later than three business days after they submit a loan application for most mortgages. The Loan Estimate provides information about key features, costs and risks of the mortgage loan for which the consumer is applying.

Redisclosure

For covered transactions under the TILA-RESPA Integrated Disclosure (TRID) Rule and under very specific circumstances, the Loan Estimate and/or the Closing Disclosure may be revised and delivered to the consumer.

Three-Day Review Period

For covered transactions under the TRID Rule the creditor is generally required to ensure that the consumer (borrower) receives the Closing Disclosure no later than three business days prior to the consummation of the loan.

