

What is Escrow?

What is Escrow?

Once the offer is agreed to by all parties concerned, the agent will take the written final agreement and the deposit check and deposit them "in escrow." Escrow will then be deemed open.

The purpose of an escrow is to enable a buyer and seller to deal with each other without risk. Before title to the property can be transferred to the new buyer, the buyer must deposit into escrow all monies necessary to pay for the home. This is most commonly done when the buyer obtains a loan.

Then, the seller must be paid, the seller's old mortgage paid off, and any other liens on the property must be paid off. All responsibility for handling funds and documents is delegated to the escrow holder, a neutral third party, which is usually a title insurance company or escrow company.

Your title insurance officer can answer many of the frequently asked questions about title insurance, preliminary reports, and alternative ways of holding title to property in California. In a simple transaction, the buyer delivers the agreed upon funds to the escrow holder. The buyer also instructs the escrow holder to deliver to the seller the stated sum only after all conditions have been met, and title is vested in the buyer. Concurrently, the seller deposits his deed and other documents with the escrow holder, authorizing their delivery when the buyer has deposited the agreed purchase price.

The contracting parties deposit funds or documents with the escrow holder, for delivery to the respective parties upon performance of all conditions of the agreement.