

This flyer is provided by CornerstoneTitle Company as a quick reference explaining Escrow, help in clarifying the role of the Escrow holder and information that will help you through the Escrow process.

## WHAT IS ESCROW?

Escrow is a deposit of funds, a deed or other instrument to a neutral party for delivery to another party upon completion of a particular condition or event.

## WHY IS ESCROW NEEDED?

Escrow is assurance that no funds or property will change hands until all the instructions for the transaction have been followed and completed. The holder of the Escrow is obligated to protect all funds and documents while in his/her possession and expend only when all conditions of the escrow have been achieved.

## WHAT HAPPENS IN ESCROW?

The buyer, seller, lender, borrower (the primaries to the escrow) will create escrow instructions, generally in writing, to be signed and delivered to the escrow officer. Normally, if a broker is involved, she/he will provide the Escrow officer all necessary information for the creation of your escrow instructions and documents.

The escrow officer will process the escrow according to the prepared instructions. After completion and when all conditions required by the escrow have been achieved, the escrow will be closed. Escrows are handled in a similar fashion with differences tailored to your property and transaction.

## WHAT DUTIES DOES AN ESCROW OFFICER HANDLE?

The Escrow Officer performs many duties, which may include but not limited to:

- Adhering to the instructions set forth by the principles and all parties to the transaction.
- Processing the Escrow in a quick and

efficient manner.

- When all terms have been complied with, closing the Escrow.
- Paying all authorized bills.
- Disbursing funds in accordance with instructions and providing an account of her/his actions.
- Providing the Closing or Settlement Statement

## HOW IS THE ESCROW HOLDER CHOSEN?

An Escrow Holder is normally chosen by an agreement between principals. If a real estate broker is involved in the transaction, they may recommend an escrow holder. The principals in the transaction have every right to use an Escrow holder they feel is best suited for their type of transaction. Laws prohibit the payment of fees for referrals, giving the consumer the best escrow services without any compromise that may be caused by a person receiving a referral fee.

## WHAT IS MY ROLE IN THE ESCROW PROCESS?

- Read and understand your escrow instructions. Any questions regarding your instructions should be directed to your Escrow Officer for an explanation. This is key for any transaction as important as your sale, purchase or loan.
- Always remember your Escrow Officer is not an attorney, cannot practice law, cannot offer legal advice and cannot relate personal options about the deal you are getting. Your Escrow Officer is there to follow the instructions set forth by the principles of the escrow.
- Always consult your Lawyer for legal advice. Contact your Escrow Officer to find out specific items that will help expedite the closing of the escrow.
- Always respond to correspondence quickly to assure the timely closing of the transaction.
- Deliver funds into the escrow in the form required by the Escrow Officer.

- Procedures differ depending on the company. Be sure to check with your Escrow Officer for specific instructions on the handling of such funds.
- Personal checks used for delivery of funds may severely slow the closing process, possibly a week or more.

Your Escrow Officer will need to know early in the escrow process of any immediate or special needs you may have on the day of the closing such as closing papers, checks, cashier's check, title policies and statements. Some of these items are impossible to process on the day of the closing and may take several more days.

## YOUR LOAN AND ESCROW

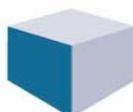
If a new loan is being obtained, your Escrow Officer will be contacting your lender. The lender will need copies of the escrow instructions, the preliminary title report and additional documents as requested. When processing and closing of the escrow, the escrow holder is required to comply with the lender's instructions.

Some lenders now forward their loan documents to the escrow holder for signing. These documents are lender documents and cannot be interpreted or explained by the Escrow Officer. You may request a representative from the lender's office to be present to answer any questions you may have regarding the documents or make arrangements with the lender to sign the documents in their office.

## CLOSING STATEMENT?

The closing statement is a written record, compiled at the close of escrow that itemizes the charges and credits of your account. Items shown on the statement will include:

- The purchase price
- Funds deposited or credited to your account
- Payoffs on existing encumbrances and/or liens
- The costs for all services
- The funds you are entitled to at the close of escrow



## YOUR ESCROW (CONTINUED)



different counties. Generally a basic fee schedule will be charged and extra charges based on special elements of your escrow. Additional fees may be incurred for unusual amounts of time spent on a given transaction. Charges the Escrow holder has no control over are:

- The title insurance policy
- The lender's charges
- County recording and transfer tax charges

Upon your request, your Escrow Officer can provide you with an estimate of escrow fees and costs additionally, fees charged by others, if available.

### CANCELLATIONS?

There are occasions when a condition cannot be met or a disagreement during the finalization of the escrow occurs. General provisions of the escrow generally incorporate a typed or printed instruction in the event of a cancellation. Most commonly, Escrow Holders will not refund any funds on deposit until receiving mutual cancellation instructions signed by the principals. The Escrow Holder is not a judge and normally cannot make a determination as to the rightful party in a dispute on a cancellation. Funds will not be returned until the principals agree.

Expect a fee to be charged for cancellation. This is a charge for professional services refunded and quite often for several out-of-pocket expenses that have been incurred on the clients' behalf. Cancellation fees vary between companies, depending upon their policies.

Sometimes during a dispute, the Escrow Holder may allow a court to decide which party receives what documents or funds. This is referred to as an *Interpleader Action*. Costs for such legal actions are extreme and are normally paid from the funds on deposit in the escrow.

### TITLE INSURANCE?

The title insurance policy insures the owner and/or the lender, ownership of the property. Title insurance is most often obtained when real property is purchased. Various coverages are

offered, but basic policies insure that the buyer is the owner and that any lender shown on the policy is an insured lender. Extended coverages of many different types are available. For example, an ALTA policy is often required by institutional lenders to afford them additional protection under the title insurance policy. Only after an extensive examination of the public records and the required documents are recorded will the title policy be written.

Fees for a title insurance policy is a one-time fee paid at the close of the escrow. Determining who pays for this policy is not uniform among California counties. Most frequently, payment for the closing costs is an agreement between the parties, generally based on the standard county or area practices. FHA or VA transactions, the Escrow Officer must follow guidelines set forth by the lender and/or government.

### PROPERTY TAXES?

Transaction terms and the resulting escrow transactions determine how the property taxes are handled. Your Escrow Officer will not deal with any credits or changes for prorated taxes if there is no mention of prorating in the escrow instructions. If your escrow calls for proration of taxes, there will be an item in your closing statement that will reflect either a charge or credit to your account. If the taxes have not been paid, even though there has been a charge or credit against your account, the buyer is required to obtain a tax bill and pay the taxes. A tax bill may be requested from the tax collector by sending a photocopy of the deed.

Shortly after the close of an escrow involving the conveyance of real property, a supplemental tax bill is generated. This is accomplished in cooperation with the County Assessor and the County Tax Collector. The County Assessor will request information about the property from the buyer to assist in determining the value of the property for taxation purposes. Some of this information may have been previously supplied by the Escrow Holder via a *Preliminary Change of Ownership* form that should accompany each deed when it is recorded.

When you receive your closing papers, carefully examine the closing statement. It is straightforward and reflects all financial aspects of your transaction. Any questions or concerns should be directed to your Escrow Officer for an explanation.

Thoroughly examine ALL of the closing papers since they may contain a refund check. Quickly cash/deposit the check, making sure it is endorsed by all payees. You do not want the check being returned, unpaid, due to irregular or missing endorsements.

Safely store your closing statement and all other escrow papers for income tax purposes. The closing statement will assist your accountant with needed information about the sale or purchase of the property. The IRS and other agencies may require you to prove your costs and/or profit on the sale of any property. Your escrow holder may charge a fee for additional copies of the closing statement. Also be aware that escrow holders generally destroy the files after the 5 year statutory retention period.

### WHAT COSTS WILL INCUR?

The State does not regulate escrow fees. Like other businesses, Escrow Holders charge fees commensurate with the costs of providing the service, the involved liability and overhead expenses including a profit factor. Fees for these services will vary between companies and in

# CornerStone Title Company

