



# Understanding Escrow

Information regarding the steps you'll be taking in Escrow

## ▼ What exactly is an escrow?

An escrow is an independent, neutral intermediary and the vehicle by which parties close a real estate transaction. Your escrow was created shortly after you executed your contract to purchase your new home. The escrow becomes the depository for all monies, instructions, and documents pertaining to the purchase of your new home. Any questions or requirements you may have concerning the home itself, such as appliances and repairs, are not part of escrow, but rather, matters between the buyer and seller.

## ▼ How do I open an escrow?

You will not have to open an escrow — it will be done for you. As soon as you execute your purchase agreement, your real estate agent will deposit your initial down payment into your escrow account. Your Escrow Officer or Escrow Assistant will then send you escrow instructions.

## ▼ How will I know where my money has gone?

Written evidence of your deposit is included in your copy of the purchase agreement (sales contract). Your funds will then be deposited in your separate escrow (trust) account.

## ▼ What do I do next?

Unless you are paying all cash, the next step will be to obtain a mortgage loan. If you have not obtained advance loan approval, you will need to apply.

## ▼ How does the loan process work?

You will want to speak with your credit union, bank, mortgage company or savings and loan. You will be required to complete a loan application which will require personal and financial information.

## ▼ What happens after I submit the loan application?

The lender will begin the qualification process, including verification of items submitted on the application and appraisal of the value of the property. The lender will require that you obtain hazard insurance if you are purchasing a detached home. However, if you are buying a condominium, there may already be a master hazard policy. The lender may also have other requirements. Be sure you are aware of all of the lender's requirements and take care of them promptly.

## ▼ Assuming the loan is approved, what's next?

Your Escrow Officer will make an appointment for you to sign your final loan papers. At this time, the Escrow Officer will also tell you the amount of money you will need (in addition to your loan funds) to buy your new home. Your loan funds will be sent directly to the escrow by the lender. You will sign your loan documents at the escrow office unless other arrangements are made.



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## ▼ What are escrow instructions?

Escrow instructions define all the conditions that must occur before the transaction can be finalized. Your escrow instructions represent your written statement to the escrow holder protecting your interests. They authorize the Escrow Officer to order title insurance which provides ownership protection for your new home.

## ▼ When do I sign escrow instructions?

Your Escrow Officer will send escrow instructions to you for signing along with other forms such as vesting instructions, statement of confidential information, and change of ownership form. If you have any questions on these forms when you receive them, call your Escrow Officer or Assistant and they will be happy to refer you to appropriate counsel. Be sure to return your signed instructions and forms as soon as possible. Decide how you wish to hold title to your new home. We suggest that you contact a lawyer or financial advisor before you decide.

## ▼ What do I need to do before my appointment to sign loan papers?

### ▶ Cashier's Check

Obtain a cashier's check issued by a California institution made payable to the escrow company in the amount indicated to you by escrow. A personal check is not acceptable. Escrow is required by law to have "good funds" (meaning the check has cleared the institution and been paid) before disbursing funds from the escrow. An out-of-state check will also cause delays in closing due to delays in clearing the check.

### ▶ Lender's Requirements

Make sure you are aware of your lender's requirements and that you have satisfied those requirements before you come to the escrow office to sign your loan documents.

### ▶ Hazard Insurance

If you are purchasing a single-family home, detached home, (or in some cases, a townhome), be sure to order your hazard insurance. Then call your escrow officer with the insurance agent's name and phone number. You must have secured hazard insurance before the lender will send its money to the escrow company.

### ▶ Identification

Please bring a driver's license or a passport (photo ID) for each person who will be on the title with you to the escrow office. This is needed so that your identity can be verified by a notary public. It is a necessary step for your protection.

## ▼ What is the next step after I've completed my sign-off?

After you have signed all the instructions and documents, the Escrow Officer will return them to the lender for review. This usually occurs within a few days and, upon completion, the lender is ready to fund the loan and advise escrow.

## ▼ What is an "escrow closing"?

It is the culmination of the transaction. It signifies legal transfer of title from the seller to you. Usually the Grant Deed and Deed of Trust are recorded within one working day of the escrow's receipt of loan funds. This completes the transaction and signifies the close of escrow.

## ▼ When will I receive the deed?

The original deed to your home will be mailed directly to you at your new home by the County Recorder's Office. This usually takes several weeks, sometimes longer.