

Escrow 101

Escrow

The origin of the term "Escrow" can be traced back to the French word "escroue," meaning a "scroll of writing." In many Western States, Escrow Companies are utilized as settlement agencies, while in other areas, the closing process is handled by Title Companies or Lawyers.

Types of Escrow Holders

In California, there are three primary types of Escrow Holders, each regulated by their respective agency. Title Insurance Companies, regulated by the Department of Insurance, handle the majority of escrows in Northern California. Independent Escrow Companies specialize solely in escrow and are held to high standards, regulated by the Department of Financial Protection and Innovation and required to maintain a high level of liquid assets and hold a bond through the Escrow Agents Fidelity Corporation. Real Estate Brokers, regulated by the Bureau of Real Estate, may only handle escrows in which there is at least one agent on the transaction connected to their real estate affiliate.

Reasons for an Escrow

There are several reasons for an escrow, including serving as a neutral depository or disinterested third party for money and documents, holding a fiduciary role and acting impartially towards all involved parties, providing clear accounting of all funds, and assuring that all conditions are met before the deed(s) are recorded and money is exchanged. During the transaction, it is the responsibility of the escrow to prepare and organize the safe delivery of all funds and documents to their respective recipients before the escrow is closed.

Principals are considered any of the following: Other Parties:

- Buyer & Seller in a sale - Real Estate Brokers and Sales Agents
- Borrower & Lender in a refinance - Title Insurance Officers & Representatives
- Lessor & Lessee in a lease of rental agreement - Lenders
- 1st party & 2nd party in an exchange - Termite Companies
- Vendor and Vendee in a land contract - Insurance Agents
- Homeowners Associations
- Attorneys
- Government Agencies for loans, taxes, court liens, etc.



Escrows For You, Inc.

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