

# What is Escrow

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Escrow refers to the process of depositing funds, a deed, or any other legal document by one party with a neutral third party, to be delivered to another party only after the completion of a specific condition or event. In our line of business, the legal requirements governing escrow operations are outlined in the California Escrow Law, Section 17003. This law comprehensively defines the regulations that we must adhere to in our operations.

## What is the purpose of having an Escrow?

Whether you're a buyer, seller, lender, or borrower, it's essential to have the assurance that no funds or property will be exchanged until all the instructions of the transaction have been meticulously followed. This is where an escrow comes in. As the custodian of the funds and/or legal documents, the escrow holder is responsible for ensuring that they are kept safe until the completion of the transaction. Additionally, the escrow holder is obligated to disburse funds and/or transfer ownership only when all provisions of the escrow have been duly complied with.

## How does Escrow work?

In an escrow arrangement, the buyer, seller, lender, or borrower create, sign, and deliver written instructions to the escrow officer. If a broker is involved in the transaction, they will provide the necessary information to the escrow officer to prepare the escrow instruction and other documents.

The escrow officer is responsible for processing the escrow according to the instruction provided. As the transaction progresses, and all conditions outlined in the escrow instruction are met or achieved, the escrow is deemed "closed." Each escrow transaction is unique, as it involves a specific property and transaction.

The primary duties of an escrow holder include adhering to the instructions provided by the principals in a timely manner, handling funds and documents according to the instructions, paying bills authorized by the parties involved, responding to authorized requests from the principals, closing the escrow only when all terms and conditions are met, distributing funds per the instructions, and providing an accounting of the same in the form of a Closing or Settlement Statement.

## Who chooses Escrow?

Typically, the parties involved in the transaction mutually agree on the selection of the escrow holder. Although, in transactions involving a real estate broker, the broker may suggest an

escrow holder. Regardless, it is the prerogative of the parties to opt for an escrow holder who is competent and skilled in handling the specific type of escrow in question.

To protect the consumer's interests, laws exist that forbid the payment of referral fees. This ensures that the consumer receives the best possible escrow services without any compromise arising from an individual receiving a referral fee. This is why it's important to work with an Independent Escrow Company.

