

WHAT IS ESCROW

What is Escrow and why is it needed

What is Escrow?

An escrow is an arrangement in which a neutral third party (the escrow agent) assembles and processes all of the components of a real estate transaction (including legal documents), records the transaction, and ultimately, disburses and distributes funds according to the buyer's and seller's instructions. Your transaction is typically closed by an Escrow Officer or LPO (Limited Practice Officer).

People buying and selling real estate often open an escrow for their protection and convenience. Both the buyer and seller rely on the escrow agent to carry out their mutually consistent instructions relating to the transaction and to advise them if any of their instructions are not mutually consistent or cannot be carried out. If the instructions from all parties to an escrow are clearly drafted, the escrow officer can take many actions on behalf of the buyer and seller without further consultation. This saves much time and facilitates the closing of the transaction.

Typical roles in the Escrow process:

The Seller/Agent

- Delivers a fully executed Purchase & Sale Agreement to the escrow agent.
- Executes the paperwork necessary to close the transaction.
- Deposits evidence of pest inspection and any required repair work, per the Purchase & Sale Agreement.

The Buyer/Agent

- Deposits funds required to close (in addition to the purchase price) with the escrow agent.
- Approves any inspection reports, commitment for title insurance, or other items as called for by the Purchase & Sale Agreement.
- Fulfills any other conditions specified in the escrow instructions.

The Lender (when applicable)

- Deposits proceeds of the loan.
- Directs the escrow agent of the conditions under which the loan funds may be used.

The Escrow Agent

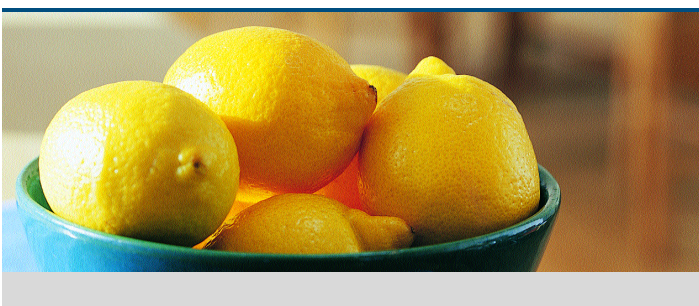
- Obtains the order for title insurance.
- Obtains approvals from the buyer(s) on pest inspections, the commitment for title insurance, and any other inspections that are called for in the Purchase & Sale Agreement.
- Obtains any required payoffs/release documents to clear title.
- Receives funds from the buyer and/or lender.
- In most cases, prepares vesting document and excise tax affidavit on seller's behalf.
- Prorates insurance, taxes, rents, etc.
- Prepares a final statement (often referred to as the "HUD Statement" or "Settlement Statement") for each party, indicating amounts paid in conjunction with the closing of your transaction.
- Oversees the signing of your loan documents.
- Forwards deed to the county for recording.
- Once the proper documents have been recorded, the escrow agent will disburse and distribute funds to the proper parties.

In Summary

Some of the escrow officer's responsibilities include:

- Process and coordinate the flow of documents and funds.
- Keep all parties informed of progress to the escrow.
- Respond to lender's requirements.
- Oversee signing of loan/closing documents.
- Obtain approvals of reports and documents from the parties as required.
- Prorate and adjust insurance, taxes, rents, etc.
- Record the deed and loan documents.
- Prepare a final statement outlining funds received and to be disbursed in conjunction with your transaction.

Escrow is the process that assembles and processes all the components of a real estate transaction. The transaction is officially closed when the new deed is recorded, thus transferring ownership from the seller to the buyer. The escrow agent is a neutral third party acting on behalf of the buyer and seller under the guidelines set forth by the State of Washington Department of Financial Institutions.




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The Closing Process and Responsibilities

Executed Purchase & Sale Agreement

Agreement is executed between the buyers and sellers
 Buyer completes their Loan Application
 Purchase & Sale Agreement is sent to Talon to open escrow

Lender	Escrow	Title Insurance
<ul style="list-style-type: none"> • Credit Report • Verification of: <ul style="list-style-type: none"> - Buyer's funds - Employment • Underwriter • Loan Approval • Mortgage Insurance (if necessary) 	<ul style="list-style-type: none"> • Place title order if necessary • Review Title • Work with the title company to clear up any issues • Determine status of <ul style="list-style-type: none"> - Homeowners dues - Commissions - Taxes - Liens - Mortgages • Prepare Closing Statement, Escrow Instructions, Excise Tax Affidavit and other documents as needed • Oversee the signing of the closing documents • Collect funds to close • Coordinate recording of documents 	<ul style="list-style-type: none"> • Complete title search and examination • Verify legal description • Issue title commitment • Work with escrow to clear any title issues
Lender	Escrow	Title Insurance
<ul style="list-style-type: none"> • Wire funds 	<ul style="list-style-type: none"> • Disburse funds 	<ul style="list-style-type: none"> • Issue Policies

and which can be left by will or inherited. Commonly, a synonym for ownership.

LEGAL DESCRIPTION

A description of land recognized by law, based on government surveys, spelling out the exact boundaries of the entire piece of land. It should so thoroughly identify a parcel of land that it cannot be confused with any other.

PUBLIC RECORDS

The transcriptions in a recorder's office of instruments which have been recorded, including the indexes pertaining to them.

QUIT CLAIM DEED

A deed operating as a release; intended to pass any title, interest or claim which the grantor may have in the property, but not containing any warranty of a valid interest or title in the grantor.

RECONVEYANCE

An instrument used to transfer title from a trustee to the equitable owner of real estate, when title is held as collateral security for a debt. Most commonly used upon payment in full of a trust deed. Also called a deed of reconveyance or release.

SUBORDINATION AGREEMENT

An agreement by which one encumbrance (for example, a mortgage). To "subordinate" is to "make subject to," or to make of lower priority.

SURVEY

The measurement by a surveyor of real property which delineates the boundaries of a parcel of land. An ALTA survey additionally delineates the exact location of all improvements, encroachments, easements and other matters affecting the title to the property in question. A survey may be required by a title insurance company, depending on the type of coverage chosen.

VESTING

The names, status and manner in which title of ownership is held with a fixed or determinable interest in a particular parcel of real property; also that portion of a title report or policy setting forth the above.

WAIVE

To voluntarily and intentionally relinquish a known right, claim or privilege.

WARRANTY DEED

A deed used in many states to convey fee title to real property.

The Glossary of Real Estate Terms

CLOSE OF ESCROW

The date the documents are recorded and title passes from Seller to Buyer. On this date, the Buyer becomes the legal owner, and title insurance becomes effective.

EARNEST MONEY

Down payment made by a purchaser of real

estate as evidence of good faith; a deposit or partial payment.

ESCROW INSTRUCTIONS

Escrow instructions are written documents which direct the escrow officer in the specific steps that must be completed in order for the escrow to close.

FEE SIMPLE

An estate under which the owner is entitled to unrestricted powers to dispose of the property,



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