

# What is **ESCROW?**

Escrow is the process that assembles all the components of a real estate transaction, then processes and records the transaction, transferring ownership from the Seller to the Buyer. The escrow agent is a disinterested (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.

The Escrow Agent is specifically nonpartisan, and has one primary purpose – to close the transaction according to the terms of the purchase and sale agreement. This involves clearing the title, acting as intermediary among various interested parties, facilitating and disbursing funds, and recording the appropriate vesting and security documents.

Escrow provides one central place where all funds and documents may be deposited. Here they can be collected and disbursed only when all conditions of the contract are met.

The Escrow Officer is responsible for the financial settlement between the Buyer and Seller, the recording of the required documents, the payoff of the existing liens or mortgages, and the proration of real property taxes, lease rents, maintenance fees and any other property expense to assure an accurate and complete closing.

## The **ESCROW** **PROCESS**

### **1** INITIATION

Agents forward signed Purchase & Sale report

### **2** CONFIRMATION

*(all information in 5 days prior to close)*

- Open transaction file using information provided from Purchase/Sale agreement
- Send confirmation/requests for information to all parties within the transaction
- Confirm Title report ordered

### **3** VERIFICATION

*(all information in 5 days prior to close)*

- Receive Title report; Review for problems; Clear all title issues (Deeds, liens, etc.)
- Gather property information including homeowners association dues, utilities (water/sewer), mortgage payoff(s), taxes, commissions

### **4** PREPARATION

*(2-3 days prior to close date)*

- Upon receipt of lender's documents, Escrow Closer prepares transaction file
- Send estimated settlement statements to lender and agents for review

### **5** SIGNINGS/DOCUMENTATION

*(1-2 days prior to close date)*

- Complete buyer(s) and seller(s) signings
- Notarize, review, package and return documents to lender for review/approval
- If applicable:
  - Collect funds from buyer
  - Collect last minute closing conditions for lender

### **6** VERIFICATION

*(Day of closing)*

- Balance file with Lender and obtain approval to release transaction for recording
- Contact Title Company to release transaction for recording

### **7** UPON RECEIPT OF LENDER FUNDS AND RECORDING NUMBERS

- Notify Agents of closing
- Notify buyer(s) and seller(s) of closing
- Disburse all funds including seller proceeds for transaction
- Mail copies of final settlement statement to all parties within the transaction

#### **TERMS**

**Title** – Report providing information related to all recorded documents affecting a specific piece or property.

**Settlement Statement** (HUD) – An itemized spreadsheet detailing all debits and credits associated with closing a transaction.

**Recording** – Filing documents for public record (and notice) with a registrar (i.e. County). Required for completion of an Escrow transaction.