



Understanding the Escrow Process

What is Escrow?

The deposit of deed, bond, monies, contract or other written agreement with a third person to be delivered or used only upon performance or fulfillment of set conditions. More simply, escrow may be defined as a stakeholder.

Why is Escrow Needed?

- People buying and selling real estate often open an escrow for their protection and convenience.
- Escrow is convenient for the buyer and seller because both can move forward separately, but simultaneously in providing inspections, reports, loan commitments and funds, deeds, and other items, using the escrow holder as the central depositing point.

The Escrow Process

Receives Purchase Contract

- Opens escrow and deposits buyer's initial deposit check
- Orders title report (Preliminary Title Report)
- Notifies parties with opening letters

Researches public records and prepares title report

- Due diligence and resolution, if needed
- Sends to pertinent parties

Demands sent

- Seller's payoff lender(s)
- Managing agent regarding maintenance
- Lessor's lease rents
- Sewer fees
- Association fees
- Other creditors
- Real property tax status verified (if status is unknown or delinquent)

Receives signed "opening letters" from sellers/buyers and advised of buyer's Title and Tenancy

FIRPTA/HARPTA exemption (if applicable)

- Receives seller's documentation regarding FIRPTA/HARPTA

Orders conveyance document and any other required instruments from attorney

- Provides title report
- Provides copy of Purchase Contract

Receives draft documents and other instruments from attorney

- Sends to pertinent parties

Receives payoff figures

Receives Purchase Contract-required reports and invoices

- Termite
- Pet treatment
- Cleaning
- Repairs
- Others

Notifies parties of buyer's loan approval

Receives survey and bill

- Insurability review
- Resolution of boundary discrepancies, if any

Receives buyer's loan figures and instructions

- Prepares tentative HUD-1
- Sends to agents and lenders for review

Schedules signing and/or sends out signing packet to parties not in Hawaii

Signing for buyers and sellers

Recording packet to Title

- Insurability and recordability review

Receives funds from buyer and lender

- Hawaii bank cashier's check
- Or, wired funds

Records documents

Notifies all parties of recording documents

Disburses funds and sends out final letters

- Commissions
- Proceeds
- Payoffs
- Invoices
- Final HUD-1

Title insurance policies issued

- Owners
- Lenders

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December 2010

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What Each Party Does in the Escrow Process

The Seller

- Deposits the executed transfer of title document to the buyer with the escrow holder.
- Deposits evidence of pest inspection and any required repair work.
- Deposits other required documents such as tax receipts, addresses of mortgage holders, insurance policies, equipment warranties or home warranty contracts, etc.

The Buyer

- Deposits the funds required, in addition to any borrowed funds, to pay the purchase price with the escrow holder.
- Deposits funds sufficient for home and title insurance.
- Approves any inspection reports, title insurance commitments.
- Fulfills any other conditions specified in the escrow instructions.

The Lender (if applicable)

- Deposits proceeds of the loan to the purchaser.
- Directs the escrow holder on the conditions under which the loan funds may be used.
- Deposits any mortgages necessary to secure loans.

The Escrow Holder

- Opens the order for title insurance.
- Obtains approvals from the buyer on title insurance report, pest or other inspections.
- Receives funds from the buyer and/or any lender.
- Prorates insurance, taxes, rents, etc.
- Disburses funds for title insurance, recordation fees, real estate commissions, lien clearance, service providers, etc.
- Prepares a final statement for each party indicating amounts to be disbursed and any further amounts necessary to close escrow.
- Records deeds and loan documents, and delivers the deed to the buyer, loan documents to the lender and funds to the seller, thereby closing the escrow.

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