



# All About Title and Escrow

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For people planning to buy a home, there is one word that often determines how successfully those plans are carried out: escrow.

Escrow is an arrangement in which a disinterested third party, usually called an escrow officer, holds and distributes legal documents and funds on behalf of the buyers and sellers. Ideally, escrow takes the confusion out of the process for all parties.

Opening escrow provides convenience and protection. Buyers can instruct the escrow holder to disburse the purchase price only when certain conditions are met. Sellers can instruct the escrow holder to retain possession of the deed to the buyer until the seller's requirements are met. Both parties rely on the escrow holder to carry out their transaction instructions and advise them if any of their instructions are not consistent with each other or cannot be carried out.

Escrow allows buyers and sellers to move forward separately but simultaneously in executing the sale transaction process (providing inspections reports, loan commitments and funds, deeds and many other required items).

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If instructions from all parties to an escrow are clearly drafted, fully detailed and consistent with each other, the escrow holder can take many actions on their behalf without further consultation. This saves the buyers and sellers valuable time and facilitates the transaction closing, making this easier and less confusing.

#### **Lender functions** *(if applicable)*

- ▶ Deposits proceeds of the loan to escrow holder
- ▶ Directs the escrow holder on the conditions under which the loan funds may be used

#### **Escrow officer (Holder) Functions**

- ▶ Acts as the impartial stakeholder, or depository of documents and funds
- ▶ Processes and coordinates the flow of documents and funds
- ▶ Keeps all parties informed of progress of the escrow
- ▶ Responds to the lender's requirements
- ▶ Secures a title insurance policy
- ▶ Obtains approvals of reports and documents from the parties as required
- ▶ Pro-rates and adjusts insurance, property taxes, rents, etc.
- ▶ Records the deeds and loan documents
- ▶ Maintains security and accountability of monies owed and owing

