



Escrow 101: The Process and Partnership



NEW VENTURE
— ESCROW —
Navigating Escrow Together

Buyers and sellers research tirelessly to find their ideal real estate agent. So why wouldn't the same care and consideration be put into finding an escrow partner? When it comes to the complicated process of selling a home, this choice can make a world of difference.

In this guide, we'll share what you should be looking for in an escrow partner, as well as how to communicate important steps in the escrow process to your client.

WHAT SHOULD I LOOK FOR IN AN ESCROW PARTNER?

With the hundreds of options out there, picking a valuable escrow partner can make the difference between a smooth contract or a delayed process costing you and your client thousands.

It's critical that you research potential escrow partners with criteria in mind. Here is what we recommend you judge your potential escrow partner on:

Independent Status

The best escrow partner is someone who can serve as a completely neutral third party, with no ties to real estate companies or mortgage firms that might influence their actions. You should always ask more questions about "in house escrow" or shared ownership arrangements.

The California Department of Business Oversight can verify if an escrow agent is truly independent (meaning the individual and his or her company has "met and satisfied all of the licensing requirements" set forth by California escrow law).





The Right Experience and Resources

At the very least, you want an escrow partner who has substantial experience in this field. It is recommended that you make a quick call to review experience and make sure there is a good personality fit with your escrow team.

Beyond that, it's important to learn about their distinctive value proposition and whether they have the resources to meet your specific needs. The most qualified escrow partner will use technology to make things easier for you, including:

- **E-Signatures** – Sending documents to you via email with the option of using a digital signature.
- **Digital Storage** – Using a paperless system for quick and easy access to information in your file.
- **Security & Cloud Technology** – Servers and files stored in the cloud and monitored around the clock by a qualified data security provider.

It's also helpful to know about their relationships with real estate agents and lenders in general, as well as their ability to handle any title issues that might arise during the sales process.

If Cost is Important, Compare

Any escrow partner worth checking out will be happy to provide an estimate of the costs involved in selling your house, including title insurance, escrow services, etc., so there are no surprises down the road.

What Don't You Want in an Escrow Partner?

- Anyone who's unwilling to take the time to answer your questions or thoroughly explain each step of the process.
- Anyone who can't provide information in clear, everyday language.
- Anyone who schedules meetings at their convenience, not yours.



HOW DO I EXPLAIN ESCROW TO MY CLIENT?

Simply put, escrow is when an independent and neutral third-party handles and coordinates all of the funds, documents, and instructions involved in the real estate transaction. The escrow agent (or escrow holder) makes sure that no funds are dispersed until all conditions of the sale have been met.

The escrow agent's duties span a wide array of tasks critical to a successful real estate transaction. In addition to holding onto the purchase funds, the agent:

- Keeps the flow of documents to all parties moving smoothly.
- Updates all parties throughout the process on the escrow status.
- Orders title insurance and secures issuance of title insurance policy.
- Obtains approvals, reports, and documents as needed.
- Prepare deed and loan documents.
- Distributes funds for real estate commissions, recording fees, title insurance, loan payoffs, etc.

HOW LONG DOES ESCROW LAST?

On average, escrow lasts between 30 – 45 days. This is dependent on many factors, but most importantly the swift collection of critical documents and timely processing from all parties involved (e.g. buyer, seller, real estate agent, loan officer, etc.)



I'M READY TO START ESCROW, WHAT HAPPENS NOW?

Escrow begins when a seller accepts a buyer's offer and an escrow agent or company is selected. It's important the escrow officer educates the real estate agent and clients on important steps during escrow—especially steps that require client involvement and time.

Those Steps include:

Request for Documents. Working together with the real estate agent, the escrow holder compiles a set of joint escrow instructions. These documents outline how funds held in escrow should be disbursed. Both parties must sign the documents before moving forward.

“Good Faith” Deposit. The buyer places a “good faith” deposit (typically one to three percent of the purchase price of the house) into the escrow trust account.

The Loan-Approval Process. Since approval of a bank loan is the most time-consuming element in the process, buyers are advised to fill out a loan application as soon as possible. This includes supplying the lender (a bank or mortgage company) with key financial information (bank statements, tax returns, paycheck stubs, etc.).

Seller's Disclosure. According to law, the seller is obliged to disclose any known problems with the house. This often takes the form of an extensive property questionnaire to be filled out by the seller early in the escrow process.

Title Search. The escrow holder requests a Preliminary Title Search to be made of public records (deeds, mortgages, paving assessments, liens, wills, divorce settlements, etc.). This will establish whether there are any existing claims to the property (other than the present owner's). The escrow holder then prepares a preliminary title report for review by all parties. Any problems must be resolved before the process can continue.

Property Appraisal. The lender schedules an appraisal of the property to assess its physical condition and address any defects or issues. This may include a pest inspection. The goal is to assure both buyer and lender that the house is in order and there are no threats (such as termites) to its structural integrity. The cost of repairs is negotiated between buyer and seller or may be deducted from the purchase price of the house.

Documents Prepared for Signatures. Once the seller's loan application is approved, the required documents are sent to the escrow company. The escrow agent also prepares other key documents, such as a settlement statement, warranty deed and any documentation required by the IRS.



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IS THAT ALL?

Almost! The escrow agent also communicates with all parties to coordinate a closing date. Prior to that time, the seller revisits the house to determine that requested repairs have been made and no other damage has taken place while the property has been in escrow.

Once all documents are complete, your escrow officer will schedule both parties to review and sign the appropriate closing papers.

READY TO IMPROVE YOUR ESCROW?

Contact us today to meet with an escrow officer and learn about some of our unique offerings:

- **VentureTrac** – our proprietary mobile app that speeds up escrow
- **Errors & Omissions Policy for Sellers** – six month protection for sellers for ever escrow opened with New Venture Escrow

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