



Escrow Is

The collection, holding, and delivery of documents and monies by a neutral third party in accordance with dated, written instructions from the principals to a transaction.

Having a neutral third party allows all the principals to a transaction to handle the transaction in more convenient time frames. Many real estate sales and refinances handled in other areas of the country do not have escrow. It is then necessary for all the parties to be in one room at one time in order to protect their interests. With an escrow, however, the parties may execute their respective documents and instruct the escrow when the documents may be used.

The escrow becomes a central depository. Escrow agents are neutral. With the exception of certain statutes which require them to take specific actions, the escrow officers simply follow the directions of the principals to the transaction - the buyer, borrower, and seller. Escrow officers do not give legal advice. They do not determine if a transaction is "wise". They do not resolve disputes between the various parties. *They simply follow the instructions of the principals: which instructions MUST be "consistent" (all parties must give the same instructions).*

Escrow vs. Title Insurance

In this state, most escrow companies are also title insurance companies. However, escrow and title are not the same thing.

The title department or company issues a Preliminary Commitment for Title Insurance, which is a statement of the status of title (including vesting) and all the exceptions to title, such as monetary encumbrances (loans, judgments, taxes, liens); rights, title and interests (i.e. the life estate of Grandma); and covenants, conditions, restrictions and easements. The commitment (or "PTR", "prelim", "title report") also includes documents and items that the title company requires before they will record documents (i.e. trust deeds) or issue title insurance policies. Title insurance is not a casualty or risk-based insurance like homeowner's insurance or mortgage insurance. A title company works very hard to eliminate every possibility of risk prior to issuing a policy.

Escrow	Title
Handles loan documents and funds	Performs title search and title underwriting
Prepares escrow documents and obtains signatures	Records documents
Has primary customer contact	Maintains contact with escrow only
Handles transactions anywhere in U.S.	Handles title functions county by county
Is regulated by Real Estate Agency	Is regulated by Insurance Commissioner