

So, You're Buying a New Home...

● Opening Escrow

What exactly is an escrow?

An escrow is an independent “stakeholder” account and is the vehicle by which the interests of all parties to the transaction are protected. Your escrow is created shortly after you execute your contract to purchase your home. The escrow becomes the depository for all monies, instructions and documents pertaining to the purchase of your home. Some aspects of the purchase are not part of the escrow. For example, the buyer and the seller must decide which fixtures or personal property items are included in the purchase. Similarly, loan negotiations are between the buyer and the lender. Your real estate agent can guide you in these non-escrow matters.

How does the escrow process work? The escrow is a depository for all monies, instructions and documents necessary for the purchase of your home, including your funds for the down payment and your lender’s funds and documents for the new loan. The escrow officer takes instructions based on the terms of your purchase agreement and your lender’s requirements. The escrow officer can hold inspection reports and bills for work performed as required by your purchase agreement. Other elements of the escrow include hazard insurance, title insurance and the grant deed from the seller to you. Escrow cannot be completed until the instructions (requirements) have been satisfied, and all parties have signed escrow documents.

How do I open an escrow?

Your real estate agent will open the escrow for you. As soon as you execute your purchase agreement, your agent will place your initial deposit into an escrow account at First American Title or into the real estate broker’s trust account.

How will I know where my money has gone?

Written evidence of your deposit is generally included in your copy of your purchase contract. Your funds will then be deposited in your separate escrow or trust account and processed through your local bank.

What information will I have to provide?

You may be asked to complete a statement of identity as part of the necessary paperwork. Because many people have the same name, the statement of identity is used to identify the specific person in the transaction through such information as date of birth, social security number, etc. This information is kept confidential.

How long is the escrow?

The length of an escrow is determined by the terms of the purchase agreement and can range from a few days to several months. An escrow often takes an average time of 30 to 45 days. Now that you have selected your home, executed your purchase agreement, made your purchase deposit and an escrow has been opened your next step is to apply for a mortgage loan. Your real estate agent will be able to assist you in selecting a lender.

● The Loan Process

How does the loan process work?

Your real estate agent can provide you with current financing information to help you in selecting a lender. The lender might be a bank, savings and loan or mortgage company. You will be required to complete a loan application which will require personal and financial information.

What happens after I submit the loan application?

The lender will begin the qualification process including verification of information submitted on the application and appraisal for the value of the property. The lender will require that you obtain hazard/fire insurance if you are purchasing a detached home. However, if you are buying a condominium, there may already be a master hazard policy. Check with your real estate agent on this. Also, check with your insurance agent for additional coverage for your personal property. The lender will also require that you obtain title insurance and may have other requirements that will need your attention prior to the close of escrow. Your real estate agent can help you take care of these requirements well in advance.

● Escrow Instructions

What are escrow instructions?

Escrow instructions define all the conditions that must occur before the transaction can be finalized. Your escrow instructions specify, in a debit and credit format, the disposition of your purchase funds. They also provide for title protection for your home.

When do I sign escrow instructions and where do I do this?

Your escrow officer or real estate agent will contact you to make an appointment for you to sign your escrow instructions and final loan papers. At this time, the escrow officer will also tell you the amount of money you will need (in addition to your loan funds) to purchase your new home. Your loan funds will be sent directly to the escrow by the lender. You may sign your escrow instructions and loan documents at a First American office, your real estate agent's office or some other location agreed upon by all parties.

● Your Appointments

What do I need to do before my appointment to sign the escrow papers?

Cashier's Check. Obtain a cashier's check or certified check issued by a California institution made payable to First American Title in the amount indicated to you by your escrow officer or escrow assistant. A personal check may delay the closing since First American Title is required by law to have "good funds" (check has cleared) before disbursing funds from escrow. Similarly, an out of state check could cause delays in clearing the check.

Lender's Requirements. Make sure you are aware of your lender's requirements and that you have satisfied those requirements before you come to the title company to sign your papers. Your loan officer or real estate agent can assist you.

Hazard/Fire Insurance. If you are purchasing a single family, detached

home (or in some cases, a townhouse), be sure to order your hazard/fire insurance once your loan has been approved. Then call your escrow officer with the insurance agent's name and phone number so that he or she can make sure the policy complies with your lender's requirements. You must have your insurance in place before the lender will send money to the title company. If you do not have an insurance agent, your real estate agent can help you.

Identification. Please bring either your valid driver's license or passport with you to the title company. This is needed so that your identity can be verified by a notary public. It's routine, but a necessary step for your protection.

Title to Home. Decide how you wish to hold title to your new home. You will need to make this decision prior to your escrow appointment. We suggest you consult a lawyer, tax consultant or other qualified professional before you decide. Merely bring your decision on this matter to your escrow sign-off appointment.

● After the Sign-Off

What's the next step after I've completed my sign-off?

After you have signed all the necessary instructions and documents, the escrow officer will return them to the lender for a final review. This review usually occurs within a few days and upon completion, the lender is ready to fund your loan and advises the escrow officer.

What is an "escrow closing?"

It signifies legal transfer of title from the seller to the buyer. It's the culmination of the transaction. Usually the Grant Deed and Deed of Trust are recorded within one working day of the escrow's receipt of loan funds. This completes the transaction and signifies the "close of escrow." Once all the conditions of the escrow have been satisfied, the escrow officer advises you the date the escrow will close and takes care of the technical and financial details.

When will I receive the deed?

The original deed to your home will be mailed directly to you at your new home by the County Recorder's office. This usually takes several weeks, sometimes longer, depending on their volume.

● Helpful Reminders

- Make sure you are aware of your lender's requirements and that you have satisfied those requirements before you come to the title company to sign your papers.
- After confirming with your real estate agent, be sure to order your hazard/fire insurance once your loan has been approved. Then call or be sure your real estate agent calls your escrow officer with the insurance agent's name and phone number. You must have your insurance in place before your lender will send the closing funds to the title company. If you don't have an insurance agent, your real estate agent can help.

- You'll need to bring a cashier's check or certified check to the title company for the remainder of the purchase price. Either type of check should be from a California bank or a savings and loan. Get the exact amount of the balance due from your escrow officer by telephone before your appointment for signing the papers. The check should be made payable to First American Title.
- In the event that you wish to transfer funds from another escrow or wire transfer funds, arrangements must be made in advance with the escrow officer.
- In the event that you wish to use a power of attorney, arrangements must be made one or two weeks in advance with the escrow officer, and the power of attorney must be approved by your lender.
- Please bring either your valid driver's license or passport with you to the title company. This is needed so that your identity can be verified by the notary public. It's routine, but a necessary step for your protection.
- Decide how you wish to hold title to your new home. You need to make this decision prior to your escrow appointment. We suggest you consult a lawyer, tax consultant or other qualified professional before you decide.

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