



## Frequently Asked Questions

### **What is Escrow?**

Escrow is a service which provides the public with a means of protection in the handling of funds and/or documents. Escrow enables the buyer and seller to transact business with each other through a neutral party, thereby minimizing their risk.

In the escrow, all parties involved give their instructions to this neutral intermediary, the “escrow holder” whose duty it is to assure that no funds or property will change hands until all instructions have been carried to completion.

### **What types of transactions go through escrow?**

Most contracts that involve the transfer, lease, or financing of real or personal property can be placed in escrow. You may be involved in escrow not only when you buy or sell a home, but also when you buy a mobile home, sell a business, or transfer stock in a closely held business. Prize-fighters have even been known to have their purses guaranteed through an escrow depository. The buyer and seller should demand the protection of escrow for any transaction which involves a substantial investment.

### **Why do I need escrow?**

Whether you are the buyer or the seller, you want assurance that no funds or property will change hands until all of your instructions have been followed.

### **As a buyer entering into escrow, what must I do?**

If the transaction is contingent upon a new loan, it is your responsibility to arrange this loan. Your real estate agent can be helpful in obtaining a lender, since he or she actively participates in the real estate industry.

### **Who handles the escrow transaction?**

The escrow officer is a trained and experienced professional. He or she can provide you with the assistance required to close your transaction quickly and effectively. This professional person may, under the terms of the instructions, make the decision that the conditions of escrow have been met, and then order the transfer of the affected real or personal property to the interested parties.

Many escrow officers proudly display their professional designations of certification and show these designations on their business cards and letterhead. The designations indicate that this person has met the high standards of education and experience required for certification by the California Escrow Association.

### **The instructions are ready - now what?**

When the escrow instructions have been prepared, read them carefully to determine that they are complete and properly reflect your total agreement. If you have questions or concerns, discuss them with the escrow holder before signing. Once the instructions have been signed, they become the basis for the conduct of the escrow.

### **Can I get legal advice from the escrow officer?**

An escrow officer is not a legal counselor and cannot give you advice. Remember, the purpose of escrow is to take, and comply with, instructions to carry out the mutual agreement of the principals. In the event of disagreement of the parties, the escrow officer must remain neutral until an agreement is reached.