

What Is Payoff / Sub-Escrow?



Sub-escrow (loan payoff) is an extremely important service provided by title companies to facilitate the handling of money in the closing of a real estate transaction. The performance of the payoff function, exclusive of escrow services, is unique to Southern California. This is because the majority of our customers are independent escrow companies, and the majority of our title orders require payoff service.

A sub-escrow fee is a fee charged by the title company for the following services:

- Coordinating with the escrow company or lender for recording
- Verifying and updating pay-off demand figures with the lender
- Verifying payment of property taxes
- Calculating the pay-offs on the day of closing
- Disbursing all pay-offs and net proceeds per instructions
- Process refunds

Sub-escrow has a language of its own – note the following brief definitions of commonly used terms, intended to answer some of the questions you may have regarding the sub-escrow (payoff) function.

Payoff – The receipt of funds from the lender and the payment of the obligations of the seller in conjunction with a real estate transaction. The payoff function is performed by the title company.

Payoff Fees – Lawyers Title fees for handling a payoff are filed with the California Department of Insurance (CDOI), as are all insurance charges. The CDOI will fine title companies for not charging this fee. The fee is strictly a processing charge and does not cover special handling charges or potential shortages.

Prefigures – Estimated payoff figures are calculated and given prior to closing upon request. These figures are only valid through the date given and are based on the information provided at the time.

Good Funds – Lawyers Title must be in receipt of “Good Funds” prior to disbursing on a pay-off. Types of “Good Funds” include:

- Funds wired into Lawyers Title sub-escrow account
- A cashier's, teller's or certified check will provide next business day availability after deposit, to comply with AB512
- Out of area checks will provide availability of funds five to seven (5-7) business days after deposit.

Taxes – Outstanding property taxes can be paid out of the payoff process.

Demands – Demands must include specific payoff information concerning the particular property. It is the responsibility of the escrow to order and provide all necessary demands including any updates or changes on a timely basis.

Refunds – Any overpayments of demands will be refunded to the escrow upon receipt from the lender.

Shortages – Lawyers Title will report to the escrow if there is a shortage of the necessary funds to cover the outstanding obligations. The shortages must be received prior to payoff.

Disbursement Checks – Checks are delivered locally to lending institutions by a contracted messenger service. Checks to individuals and to out of area lenders are typically sent via an overnight delivery company.

Wire Transfers – Funds can be wired in to or out of the Lawyers Title account.

Out of County Transactions – Lawyers Title offices can receive and disburse payoff funds throughout California.

