ISSUE 92

LAWYERS LINK

THE ESCROW CONVERSATION

Guiding Clients Through the Escrow Process

As a real estate agent and trusted advisor, educating buyers and sellers about the escrow process is essential. It provides an opportunity to set clear expectations from the outset and maintain proactive communication throughout the transaction. By helping clients understand the process, key responsibilities, and important milestones, agents can reduce uncertainty, build confidence, and guide both parties toward a smooth and successful closing.

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1. Explain What Escrow Is

Many clients are unfamiliar with the escrow process. You can summarize escrow in a few concise sentences like this:

Escrow is a neutral third party that helps manage the transaction and protects everyone involved while the sale is being completed. Think of escrow as the referee of the transaction. The escrow company holds funds and important documents, coordinates the closing process according to the terms of the contract, and helps ensure all required conditions are satisfied before ownership and funds are transferred.

The Escrow Journey

To provide a broad overview, you can outline the escrow process as follows:

Offer Accepted ▸ Escrow Opened ▸ Earnest Money ▸ Deposit ▸ Disclosures & Inspections ▸ Title Review ▸ Loan Processing & Approval ▸ Final Walkthrough ▸ Signing ▸ Funding & Recording ▸ Closed!

2. Review Key Contract Deadlines

Real estate agents should review contract deadlines with their clients to establish a clear timeline for important actions and decisions throughout the transaction. Understanding these deadlines helps buyers stay informed, meet their contractual obligations, protect their rights, and avoid unnecessary delays. Depending on the purchase contract and local market practices, common residential real estate deadlines may include the following:

- Earnest money deposit deadline
- Seller disclosure review period
- Inspection contingency periods
- Appraisal contingency deadline
- Loan approval or loan contingency deadline
- Title review or title objection deadline
- Removal of contingencies
- Final walkthrough timing
- Closing date
- Possession or occupancy date

3. Encourage Prompt Responses

Delays often occur when paperwork is not completed quickly. It's important to help clients understand that every signature and document affects the timeline. Remind clients to:

- Review documents carefully
- Sign disclosures promptly
- Submit requested information on time
- Respond to lender and escrow requests quickly

4. Prepare Clients for the Title Process

Explain that the title company will conduct a title search and prepare a Preliminary Title Report or Title Commitment. The report provides information about the property's title status, including current ownership, liens, easements, restrictions, and other matters affecting title, and identifies the requirements and exceptions associated with issuing title insurance.

Real estate agents should encourage buyers to review the report carefully and raise any questions or concerns before applicable contract deadlines expire. When necessary, buyers should consult the title company or legal counsel regarding title-related matters.

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5. Maintain Consistent Communication

Regular updates help clients feel informed and confident. Stay connected with buyers and sellers, lenders, escrow officers, and title representatives. Your role is to keep everyone aligned and address concerns before they become obstacles.

6. Educate Clients About Wire Fraud

A real estate agent should educate clients about wire fraud early in the transaction and remind them that scammers often target real estate closings with fraudulent emails containing fake wiring instructions. Clients should be advised to never send funds based solely on an email and to always verify wiring instructions directly with the title or escrow company using a trusted phone number. By discussing wire fraud risks upfront and encouraging clients to confirm all wiring details before sending money, agents can help protect them from significant financial loss.

7. Prepare for Closing Day

Before closing, ensure clients:

- **Review the Closing Disclosure** (or equivalent settlement statement, depending on the transaction) and ensure your client understands the loan terms, interest rate, monthly payment, closing costs, and funds required for closing.
- **Bring valid identification.** Most closings require a valid, government-issued photo ID. Ensure your identification is current and that the name on your ID matches the name on your closing documents.
- **Confirm funds are available for closing.** Confirm wiring instructions directly with the escrow officer by phone using a trusted number.
- **Avoid major financial changes.** Avoid opening new credit accounts, making large purchases, changing jobs, or taking on additional debt, as these changes could affect your final loan approval.
- **Complete your final walk-through.** Visit the property to confirm that the home is in the agreed-upon condition, and no new damage has occurred since inspections. Confirm that any agreed-upon repairs have been completed, if applicable.

Lawyers Title is proud to partner with real estate professionals and provide the resources, education, and the support needed to create an exceptional client experience from contract to close.

This information does not and is not intended to constitute legal advice; instead, all information is for general information purposes only.

MONTHLY INDUSTRY TERMS

Adjustable Rate Mortgage (ARM)
A mortgage in which the interest rate is adjusted periodically in accordance with a market indicator, to more closely coincide with the current rates. Also sometimes known as renegotiable rate mortgage, the variable rate mortgage, or the graduated rate mortgage.

Caps
Consumer safeguards that limit the amount the interest rate on an adjustable rate mortgage can change at each adjustment or over the life of the loan.

Deed
Written instrument which, when properly executed and delivered, conveys title.