

Understanding Escrow

How It Protects Buyers and Sellers During a Transaction

Buying or selling a home involves big decisions, lots of paperwork and large amounts of money. That's where escrow comes in — a system designed to protect everyone involved by making sure no one gets ahead of the process.

WHAT ESCROW IS AND HOW IT WORKS

Escrow is a secure, temporary arrangement where a neutral third party — usually a title or escrow company — holds money, documents or both until all the conditions of the real estate agreement are fulfilled.

Once a buyer and seller sign a purchase agreement, the buyer deposits earnest money into the escrow account. This shows good faith and formally begins the closing process. The funds stay in escrow until closing, when they're applied toward the down payment or closing costs.

Throughout the transaction, the escrow officer manages key steps: Collecting loan documents, Receiving and verifying inspection and appraisal results, Ensuring title work is completed, and Preparing the final settlement statement.

Only when both sides have

met their obligations, such as signing all documents and transferring funds, does the escrow officer release money and record the property transfer.

AFTER THE SALE

In many cases, escrow

doesn't end at closing. If you're taking out a mortgage, your lender may require an escrow account to manage property taxes and homeowners insurance. A portion of your monthly mortgage payment is placed into this account and used to pay those bills.

This post-closing escrow ensures that essential expenses are paid on time and helps you avoid large annual bills. Lenders typically review the account each year and may adjust your monthly payment based on changes in tax or insurance costs.

Escrow may sound complex, but it's really just a safeguard — one that adds security to every real estate deal. Whether you're buying your first home or selling your third, understanding escrow helps you feel more confident every step of the way.



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ESCROW AFTER THE SALE

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REAL ESTATE 101



HOMEWISE GLOSSARY

Your Escrow Officer Is There to Help

The escrow officer handles key parts of your transaction — managing funds, coordinating paperwork and ensuring everything is completed before closing. They are a resource for both buyers and sellers.

Escrow: Escrow is a neutral third-party account that holds funds or documents during a real estate transaction. It ensures that money and property are only exchanged when all terms of the deal have been met.

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