

Title:

An Overview of the Escrow Account

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Summary:

Whether buying or selling real estate, you will inevitably deal with an escrow account. If you are not familiar with an escrow account, here is an overview.

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Article Body:

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An Overview of the Escrow Account

A real estate transaction is a high dollar transaction. In fact, you will probably never make a bigger one in your life regardless of whether you are buying or selling. Given the high stakes and the fact that feelings can sometimes get ruffled on each side of the fence, the escrow account was created.

An escrow account is really a part of a larger beast known as escrow. To keep the real estate transaction running smoothly and organized, escrow is undertaken. A third party, known as the escrow agent, is retained to collect documents, money and such. Since people can be tense during transactions involving large sums of money, it is important to have a party involved that is not emotionally attached.

The escrow account is an industry term that can mean a few different things. In its strictest sense, the account is a trust account opened to hold monies deposited by the parties for appraisals, inspections and remedial work. It is also used to hold the money provided by the buyer for the purchase. This is true regardless of whether the money is submitted directly from the buyer or a mortgage lender.

In a larger sense, an escrow account refers to the total services provided by the escrow account. In addition to finances, the escrow agent will collect contracts, documentation set out in the purchase agreement and so on. In some

sense, this makes the escrow agent the referee for the real estate transaction. That being said, an escrow agent does not call penalties, to wit, they will never determine that one party or the other is in the wrong. They will simply facilitate the requirements of the contract. If one party fails to comply with those requirements, the escrow will not close and lawyers typically get involved.

Escrow is standard operating procedure for nearly all real estate transactions. In the end, it is an effective way to get the transaction closed.