

**COUNTY OF LOS ANGELES
DEPARTMENT OF CONSUMER
AND BUSINESS AFFAIRS**
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Escrow

Protection
for Homeowners



Information for Homeowners

Escrow

Escrow is used when property is bought, sold, or refinanced. An escrow ensures that the seller receives payment for the home and that the buyer gets title to the property.

The escrow company is a neutral third party. They hold money and title to property until both the buyer and seller agree to release them.

Choosing the escrow company

The seller's real estate agent usually chooses the escrow company. Check to make sure the escrow company is licensed and in good standing with the Bureau of Real Estate by calling (213) 620-2072 or the Department of Business Oversight at (213) 576-7500.

Before opening escrow

Before escrow can open, you and the seller must agree on the purchase price of the home and when escrow will close. These terms are included in the *Purchase Agreement*. Read it carefully.

Once the Purchase Agreement is signed, you will make an initial deposit payable to the escrow company.

Opening escrow

Escrow opens when you and the seller sign *Escrow Instructions*. These instructions tell the escrow company what must be done before the

purchase money and property title are exchanged. The escrow company cannot take any action unless the escrow instructions allow them to do so.

Make sure the escrow instructions include:

- All repairs that must be made before the close of escrow.
- The names you want recorded on the title.
- Clear instructions about tenants on the property. If the buyer does not want to keep the tenants, make sure the seller evicts them before the close of escrow.

Escrow Process

Once escrow opens, the escrow company will do the following:

- Give you and the seller a copy of the Escrow Instructions;
- Order a Title Report;
- Request payoff amounts for existing loans;
- Receive loan documents and insurance policies.

Canceling the purchase

If you change your mind about buying the home, you may lose the money you have deposited into escrow.

You may also have to pay the seller financial damages. Financial damages may include the time the property remains vacant before another buyer is found.

If the seller refuses to sell you the home after escrow has opened, you can sue in court to force completion of the sale and collect financial damages.

Closing escrow

When escrow closes, your purchase money is given to the seller and title to the home is recorded in your name. You will be asked to sign these documents:

- Final Closing Statement
- Note (loan terms)
- Truth and Lending Disclosure
- Deed of Trust
- Notice of Right to Cancel

Check these documents for errors. If you find errors, do not sign the documents until the errors are corrected.

Also, do not sign the documents if promised repairs have not been completed. If the property has tenants, be sure they have moved out before closing escrow.

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