

Surviving the Real Estate “Escrow” Process in California: Important Things and Tips You Should Know, and Mistakes to Avoid

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A. Introduction and Brief Overview.

The sale or purchase of a single family home is often the most significant financial transaction in a person’s lifetime. If you are buying or selling a home, or refinancing, you will want to make certain the process is relatively stress-free and goes as smoothly and reliably as possible. In order to do that, you will want to select and use a licensed, qualified, and competitively priced escrow agent. While the escrow process in California is not necessarily easily understood, it is the most commonly used procedure by which real estate is bought, sold, and refinanced in the State. To many home buyers and sellers, escrow is more like a mysterious experience where sums of money and legal documents change hands, and real estate is magically transferred to another at the “close” of escrow.

While escrow transactions can be and many are fairly complex (with pitfalls and complications for the unwary), and there are books, real estate law sources, and other in depth informational materials that explain the principles, procedures and laws regarding escrows, the California Department of Real Estate (“DRE”) has published this informational pamphlet discussing escrow fundamentals in an effort to (i) provide you with general escrow know-how, including the basic language and terminology, (ii) shed light on how the escrow process works, (iii) familiarize you with common practices and expectations, and to (iv) provide you with helpful tips in selecting and managing escrow transactions and spotting potential fraud.

¹ The authors wish to thank California attorney Michael G. Evans for his review of this pamphlet and his comments and input. Please note that the authors are not subject matter experts in the field of escrow and, as observed in the substantive text, this publication is not intended as an exhaustive coverage of escrows. We know that it is a lengthy treatment of the topic, but it could have been much lengthier. The authors completed their review of the rules, customs, procedures and statutory authorities discussed and/or cited in, and the editing of, this pamphlet as of October 17, 2010, and note that the laws, procedures and customs in the area of escrows are subject to change. While efforts were made to provide you with accurate and authoritative information concerning the topic of escrows in California, this pamphlet is not a substitute for professional advice. The opinions expressed in this piece, and any errors or omissions, are those of the authors, and should not be attributed to the California Department of Real Estate

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