

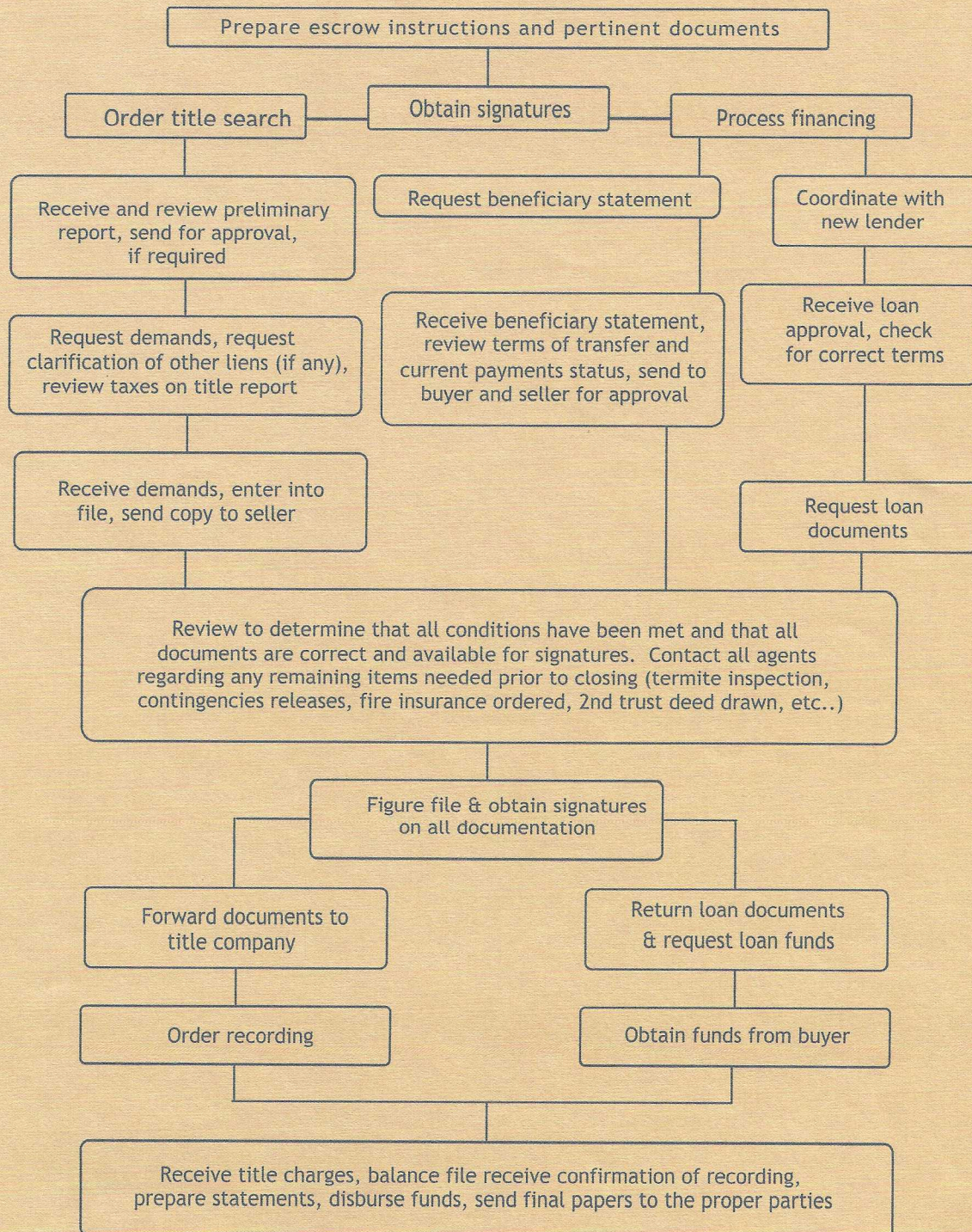
Escrow Update

What is Escrow?

Escrow is a service that provides the public with means of protection in the handling of funds and documents. Escrow enables a buyer and seller to transact business with each other through a neutral party, thereby minimizing their risk. In escrow, all parties give their instructions in writing to the neutral intermediary, the "Escrow Holder", whose duty it is to assure that no funds or property will change hands until all terms have been carried to completion. If one of the parties shown below has not, will not, or cannot provide the documents, reports or funds required, the Escrow Holder is unable to consummate the transactions and escrow cannot be closed.



The Escrow Process Detailed



ESCROW PRORATIONS

While debits and credits are fairly straightforward and understandable, “Prorations” tend to confuse most Buyers and Sellers.

“Prorating” is “dividing equally or proportionately to the time of use.” During escrow it is customary to prorate taxes, interest, rents and homeowner’s dues between Buyer and Seller in accordance with their respective periods of ownership. The most common date used for computing prorations is the close of escrow date, which is the actual date change of ownership occurs.

Prorating applies to any charges which one party or the other may have incurred in advance of the property’s sale, i.e. charges which cover a period of time following the sale. When they are prepaid by the Seller, a credit to the Seller is due for the period of time the Buyer will own the property from close to the date of the next payment due. If the Buyer pays them after the sale, then a credit is due to the Buyer for the period of time the Seller owned the property. The amounts paid by Buyer or Seller prior to or after close have to be adjusted and prorations do the adjusting.

Prorations are normally based on a 30-day month.

Debit means the amount your account will be charged in a proration; Credit is the opposite – it is an amount paid to your account in the proration. Prorating simply divides a charge that has been paid in advance or is due to be paid into either a debit or credit to your escrow account.

MORTGAGE PAYOFFS AND ESCROW

When a Borrower/Seller has a loan that is to be paid off at close, they need to be aware that a loan will be paid in full according to the written instructions in the payoff statement.

Interest on Real Estate Loans is paid in "arrears". What is the simplest way to explain this? In short this means that while the principal portion of the payment reduces the principal for the current month, the interest portion of the payment is for the interest paid to the first day of that month...not through the first of the following month like the principal amount.

Lenders require interest until the date they receive the payoff, not through the close of escrow. What this means for the Borrower/Seller is a possible extra couple of day's interest that they will pay in order to accommodate the lender for the processing time necessary to receive and process the payoff.

All lenders require that mortgage payments be kept current when a property is in escrow. When making payments during the escrow period, it is recommended that it be made by cashier's check in order to have proof of payment. Most Lenders require that one month's payment be held for check clearance even if payment was not made during the escrow period. The money is refunded to the Borrower/Seller by escrow at the expiration of the holding period specified by the lender.

Impound Accounts for Taxes and Insurance: Not all Lenders will refund the amount impounded at close of escrow. Some lender's take as long as several weeks to return impounded funds. It is recommended that the Borrower/Seller contact the Lenders payoff department and request an expedited return of funds if they do not receive a credit through escrow.

Powers of Attorney for Your Real Estate Transaction

1. IF A NEW LOAN IS BEING OBTAINED:

- A. You must contact buyer's new lender and make sure they will allow the use of a Power of Attorney to execute their loan documents.
- B. Make sure names are consistent with loan documents and escrow instructions.

2. THERE ARE SPECIAL AND GENERAL POWER OF ATTORNEY FORMS:

Most lenders require the use of a special Powers of Attorney. However, the general form may be modified by restricting the powers to cover a specific property, i.e. specifically for the sale/purchase of property at _____.

3. If the Power of Attorney is to be used to execute a grant deed, make sure the name of the party giving same is consistent with the way title is held.

4. Powers of Attorney MUST be notarized.

5. If the Power of Attorney is executed out of the United States, it must be notarized by the AMERICAN CONSULATE in that country, to be acceptable for recording with the county recorder. Persons in the armed forces should check with their commanding officer for notary services.

6. Although there is not an automatic expiration of a Power of Attorney, unless specifically stated on the form, most title companies are hesitant to accept a Power of Attorney form that is over 5 months old. If in doubt, please call the title company and discuss.

7. All Powers of Attorney forms are not worded the same. If you are using a California form, make sure the title company receives a copy for approval, prior to closing. For Buyer, the key words are "to mortgage, transfer in trust, or to otherwise encumber or hypothecate." For the Seller, the key words are "to grant and convey."

8. The party signing with Powers of Attorney is called "an attorney in fact."

9. Be sure the person signing with the Power of Attorney executes the document properly. If Jane Doe has a Power of Attorney for John Doe, she must, all in her own handwriting, sign exactly as follows:

"John Doe by Jane Doe, his Attorney in fact"

10. The Power of Attorney does NOT allow the attorney in fact to instruct the escrow holder to pay proceeds or disburse funds to themselves or any 3rd party. That instruction must be signed by the person giving the Power of Attorney.