

# What a Licensed Escrow Company Can Do For You

Most real estate transactions in the State of California utilize the services of an escrow company. Ironically, escrow remains one of the least understood elements of the real estate process.

Because of this, buyers and sellers often place their faith in the real estate broker or lender to recommend an escrow company. What many consumers don't realize, however, is that they are entrusting this escrow company to safeguard their funds being held in trust. In addition, it is the primary responsibility of the escrow holder to ensure that all of the necessary instructions in the real estate agreement are executed.

The responsibility to protect the consumers interests should not be taken lightly. The escrow holder must remain impartial during the escrow period to ensure fair representation of all parties. It is crucial that the broker, lender or consumer make a knowledgeable and informed decision in choosing an escrow company.

## Licensed vs. Controlled

All escrow companies in California can be classified into two basic categories: Licensed or Controlled "Licensed" escrow companies are independent businesses licensed by the California Department of Business Oversight. This license regulates the procedures and practices of the companies and subjects them to stringent requirements designed to protect consumers.

"Controlled" escrow companies are non-licensed businesses that can be owned by a variety of entities, including real estate brokers, mortgage brokers, banks, savings and loans, and title insurance companies. Such companies fall under the jurisdiction and requirements of a variety of supervising agencies, with regulations and requirements that vary widely. One fact remains constant, however, none of the agencies have regulations as strict as those imposed on the escrow companies licensed by the Department of Business Oversight.

## Better Protection

Although the majority of escrow companies are honest and reliable, the large sums of money handled by escrow companies can entice unscrupulous individuals to abscond with the funds they are holding in trust. Unless the escrow company is bonded, there is often no safeguard assuring the return of the money to consumers.

Licensed escrow companies are consumers' best bet for safeguarding their funds. All licensed escrow companies are required to be members of the Escrow Agents' Fidelity Corporation, which provides fidelity coverage for member trust accounts in the amount of \$5 million. This fidelity bond guarantees that, in the event of theft of trust accounts, the consumer's funds are protected.

## Higher Standards

The stringent requirements by the Department of Business Oversight assure that every licensed escrow company has met the highest standards of the industry. Consumer protection regulations unique to the licensed escrow companies include:

- A Certification Program for all employees in the company, including fingerprinting and background checks by the Department of Justice;
- A requirement that a manager/ escrow officer with at least five years experience be on-site.
- Financial stability requirement, including a minimum of two audits per year;
- Prohibiting employment of convicted felons or anyone who has been 'disbarred from the escrow industry;
- Membership with the Escrow Agents' Fidelity Corporation, which provides a \$5 million fidelity bond. The bottom line is that a licensed escrow company is the best possible neutral third party to complete your real estate transaction. Whether searching for an escrow holder yourself or looking to recommend one to a client, a licensed escrow company gives peace of mind.


Our company is a member of

**The Escrow Institute of California.**

Escrow Institute of California member companies are experienced, knowledgeable professionals with a commitment to providing honest, quality escrow services for a fair price.

The  symbol is assurance that the escrow company is independent and licensed under strict guidelines set by the State of California.  members protect the

consumers' funds by providing fidelity bonding of trust accounts. Independent Escrow Companies are 100% neutral and specialists whose sole business is escrow.

The  offers its members an ongoing program of meetings, seminars and direct mailings about topics of importance to the escrow industry, making our members among the most knowledgeable in the business. For information about the escrow process call or visit our website.



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