

How Your Transaction Proceeds After Funding

In the traditional real estate transaction, whether it is a sale or refinanced property, the escrow company becomes the repository for all documents, agreements and funds. The escrow company also directs the transaction, pursuant to instructions from the parties to the transaction, buyer, seller, lender, etc.

The title company takes their instructions from the escrow company at all times. The escrow company opens the initial *Title Order*, receives the *Preliminary Report* and advises the title company as to what items on the report are acceptable to the parties and what items are to be removed. The title company will then advise the escrow company as to what items it needs or what steps might be taken to remove the objectionable items.

When all objectionable matters have been cleared from the *Title Report*, and all other contingencies in the transaction have been met, the escrow company may contact the lender and request funding. Sometimes the lender takes on this task and notifies the escrow company after funding. In any case, the funds are then transmitted to the title company, normally via wire transfer and are received by the title company's bank. At the time the funds are requested, the escrow may authorize recordation with the title company.

Once the escrow company has called to "set-up" the recording, the title company confirms receipt of all documents, funds and statements of information and transmits the documents to the County Recorder for recordation. At the same time, the title unit forwards all demands, title fees, and taxes due to the title company's sub escrow department. Upon confirmation of recording, the sub escrow department pays off the demands and taxes and collects the title fees from the proceeds, forwarding the remainder to the escrow company.

Hopefully this information will help you to understand some of the post closing procedures and problems that may occur after funding.

Important things to remember:

1. **Review funding requirements** as early as possible. This will allow both the title and escrow companies to aid in clearing some of those "last minute" issues.
2. **If your escrow company changes banks**, be sure that your title officer is notified. There have been instances where funds were wired to a bank that was no longer used by the escrow company. It can be difficult and costly to retrieve these funds.
3. **Statements of information** **MUST** be sent to your title company **BEFORE** funding of the loan. The sooner your title officer gets this information, the less likely you are to have a funding day "disaster."
4. **If your transaction involves a "credit line" Deed of Trust**, review the lender's requirements for the payoff. Most often, this type of payoff will involve a letter that must be obtained from you. Lenders will not "freeze" these accounts without receiving this letter and title companies cannot pay off accounts that are not "frozen." (Unfrozen accounts can still be accessed by the borrower.)
5. **Post funding matters** can be resolved by contacting your title or escrow officer. When working with knowledgeable, experienced professionals, and, with a little patience, most problems can be quickly resolved.
6. **FHA payoffs** require that the lender being paid off received the entire payoff amount on or before the first of the month. If your transaction closes on a Friday, at the end of a given month, your title company will compute and collect the next months payment as part of the payoff. The reason for this is that the receiving lender generally has a "cutoff" time for receiving payoff wires. Especially with those transactions involving payoffs of an East Coast lender, there is no guarantee that the lender will receive the payoff funds before the cutoff time, even though the wire may be sent out early on the following Monday. As an alternative, you may request that your title company "hold" this additional month's payment pending verification of the payoff lender's acceptance of the wire as full payoff of the loan. In this circumstance, the sub-escrow department will confirm acceptance of the payoff and, if accepted, will forward the funds held to escrow for disbursement. **If this is an option you wish to exercise, let your escrow company know prior to funding** so that they can then properly advise the title company prior to closing.



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