

# Escrow Accounts and the Closing Process



## Overview

A real estate contract may require the buyer to provide an earnest money deposit to show the seller their sincerity in purchasing a property. Generally, the funds are held in an escrow account established by a closing/settlement agent or attorney for the purpose of disbursing funds being held on behalf of others.

## Key Players

In accordance with local custom, the buyer or seller involved in the transaction will select the closing/settlement agent to act as a neutral third-party to handle funds, documents, and tasks specific to the transaction, as outlined on the real estate purchase agreement or sales contract. The closing/settlement agent could be a title company or attorney, depending upon many considerations, including the geographical location of the transaction.

## Roles

The settlement/closing agent may have a duty to arrange and/or track the requirements and contingencies outlined within the purchase agreement. These might include home inspections, the purchase of homeowners insurance, the completion of negotiated repairs, and financing requirements.

## Process

Once all transaction contingencies are met, including the execution of all documents necessary to complete the transaction, the settlement/closing agent will disburse funds to the seller and other parties, in accordance with the purchase agreement.

## Cost

The cost of closing/settlement services is covered by the buyer or seller as determined by local custom, market conditions, or contractual agreements made within the purchase agreement.

## Closing/Consummation

Once all tasks described within the purchase agreement have been completed, and the appropriate funds are disbursed, the transaction is complete.

