



From Earnest Money to Closing

The Life of a Real Estate Transaction

fig.

1 Purchase & Sale Agreement

Once a Purchase and Sale Agreement (sometimes called an Earnest Money Agreement) is completed, the **real estate agent** deposits the earnest money in their Escrow company's trust account or Brokers trust account along with a full copy of the purchase and sale agreement.

2 Escrow

Arranged by: Lender, Real Estate Agent, Seller or Buyer

The **escrow closer** is a neutral party who holds and disburses the parties' funds, prepares an accounting of the transaction, prepares certain documents to effect title transfer all in accordance with the terms of the purchase and sale agreement. The **escrow closer** reviews the purchase and sale agreement and title commitment for necessary information to comply with parties' requirements for closing. The **escrow closer** orders payoffs on underlying mortgages, contracts and or any other monetary liens encumbering the property. The **escrow closer** sends opening letters to the **buyer** and **seller** requesting information relative to the underlying encumbrances and other pertinent information not disclosed by the purchase and sale agreement.

3 Title Insurance

Ordered by: Lender, Real Estate Agent, Seller, Buyer, or Escrow Closer

The **seller** provides an owner's title insurance policy to **buyer**; **buyer** provides a lender's title insurance policy to **lender**. The **title company** searches the records of the County Auditor, County Assessor and other government agencies to locate any documents that might affect title to the subject property. A search of the general index (county clerk) will disclose bankruptcies, divorces, name changes, judgements, probates, or other cases entered into the public records of the court. A preliminary commitment or report is then issued revealing all matters of public record affecting subject property and involved parties. A copy of the commitment will be distributed to all parties of the transaction. It is the responsibility of the **escrow closer** to clear title of all unapproved encumbrances.

4 Financing & Processing

Arranged by: Buyer

The **lender** processes (underwrites) the loan to include review of buyer's verification of funds to close, employment history, credit report, and appraisal of the property. Upon loan approval, **lender's closing department** prepares the loan package (loan documents) with specific instructions to escrow. The loan package is delivered to the escrow closer to prepare final statements, escrow instructions and transfer documents for closing.

5 Signing

After the **escrow closer** has reviewed the loan package, prepared the closing statements and transfer documents, appointments will be made with the **buyer** and **seller** to sign. Each **buyer** and **seller** will have the opportunity to review the documents and ask questions of the **escrow closer**. Once each is satisfied, they will sign the documents and the **escrow closer** will notarize them. The **buyer's closing funds** are deposited with **escrow** at this time, in the form of a wire transfer or cashier's check drawn on a Washington State bank. Due to Washington State's Collected Funds Law, a cashier's check must be deposited with **escrow** 24 hours prior to disbursement.

(Signing and closing are two different events, many people confuse the two. Closing takes place after signing has occurred. See step 7.)

6 Lender Review

When all documents are signed, the **escrow closer** returns the loan documents to the **lender** for final review. Lenders ask that we allow 24-48 hours for this process. The **escrow closer** also requests **loan funds** from the lender at this time, usually in the form of a wire transfer.

7 Closing

Upon approval by the **lender**, the **deed** and **deed of trust** (mortgage) are delivered to the **title company** for recording with the County Auditor. Verification of recording is given to the escrow closer who then "**closes**" the transaction.

1. Confirm receipt of lender's funds into the escrow account.
2. Disburse all escrow funds in accordance with all parties' instructions as follows:
 - A. Pay all underlying debts or encumbrances on property and bills submitted to escrow (pest inspections, septic pumping, chimney cleaning, roof repairs, etc.).
 - B. Pay real estate agent commissions.
 - C. Pay Seller the net proceeds of the sale.
3. Verbally notifies **seller**, **buyer**, and their **real estate agents** that the transaction is **CLOSED**. The **buyer** is now allowed possession of the property (unless otherwise agreed upon).

Serving all of Central Washington



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