What Is Escrow?

An escrow is created when money and/or documents are deposited by two or more persons with a third party which are to be delivered upon the happening of certain conditions. The third party is known as the escrow agent or escrow holder.

The authority given to an escrow holder is strictly limited by instructions provided by the parties involved. Consequently, an escrow holder acts on mutual instructions deposited into escrow and *DOES NOT* represent any party. The escrow officer is authorized by instructions to allocate funds for items during the escrow period, such as real estate commissions, title insurance, liens, recording fees and other costs. Instructions also specify the method of collecting funds, proration issues, time limitations and all the terms of the transaction. The escrow process protects all parites involved by retaining money and documents until the mutual instructions are met.

The statutory definition of escrow is found in Section 17003 of the California Financial Code and reads as follows:

> **'Escrow' means any transaction wherein one person for the purpose of effecting the sale, transfer, encumbering, or leasing of real or personal property to another person, delivers any written instrument, money, evidence of title to real or personal property, or other thing of value to a third person to be held by such third person until the happening of a specified event or the performance or a prescribed condition, when it is then to be delivered by such third person to a grantee, grantor, promisee, promisor, obligee, obligor, bailee, bailor, or any agent or employee of any of the later.**