California Department of Real Estate Issues Informational Pamphlet on the Residential Real Estate Escrow Process in California

SACRAMENTO – The California Department of Real Estate (DRE) has issued and posted to its website a new informational pamphlet entitled “Surviving the Real Estate ‘Escrow’ Process in California: Important Tips You Should Know, and Mistakes to Avoid”. The new publication was written for California consumers, real estate licensees, and anyone else who is interested in learning about the California escrow process that applies to residential real estate.

“The Department of Real Estate is committed to educating consumers, its licensees and the public at large about important real estate matters that affect the purchase, sale and financing of homes in California,” said Real Estate Commissioner Jeff Davi. “I hope this pamphlet on escrows will be a valuable tool for those who are involved in residential real estate transactions,” Davi added.

After an easy to follow Table of Contents, the escrow pamphlet is broken up into clear sections, including an Introduction and Brief Overview, Escrow Basics (with 26 questions and answers), Helpful Tips (7 tips are provided), a discussion entitled “Beware of Fraud” (with 7 additional points with regard to fraud avoidance), a Conclusion, and References for further research by or assistance to the reader.

A few of the key points a home purchaser, seller, or homeowner who is going to refinance his or her home should consider with respect to the selection of an escrow holder are the following:

- Real estate brokers licensed by the DRE can perform escrows (known as Broker Controlled Escrows) under an exemption from the State’s Escrow Law only where the escrows are in the course of or incidental to a real estate transaction in which the broker is an agent or a party to the transaction and in which the broker is performing an act for which a real estate license is required.

- Real estate escrows performed by independent escrow companies licensed by the California Department of Corporations do not have the limitations imposed on Broker Controlled Escrows, and provide broad indemnification protections. Such escrow companies, when performing relevant real estate escrows, must be members of the Escrow Agents’ Fidelity Corporation, which provides coverage to its members of between $1,000,000 and $5,000,000 for certain fraudulent and dishonest conduct by certain individuals involved in the member companies.

- Payments, costs and fees must be fully disclosed and made part of the escrow documents. If there are any payments, costs and fees to be paid “outside” of escrow, this may be the red flag that the payment is unlawful.

- You can choose the escrow holder, and the fees charged by the escrow are or may be negotiable.
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- You should do your own homework with regard to the escrow holder that is selected. Check them out through State licensing websites, Better Business Bureaus, “Google”-type searches, and by talking with real estate licensees and others who have bought, sold, or refinanced homes. Ask the escrow holders specific, detailed questions.

- When possible, meet the people who will be working on your escrow in person, always retain a copy of everything you sign and receive, and be sure to question unexpected or last minute changes to documents.

For a copy of the pamphlet, visit www.dre.ca.gov and click on the Consumer Tab. For more information about DRE and its programs visit www.dre.ca.gov.

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