



CAREERS IN CALIFORNIA ESCROW
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A career in escrow can be challenging, stimulating, educational and rewarding. There are many paths to a career in the escrow profession. This informative guide has been prepared to allow you to explore the possibilities and to determine if escrow is a field for you.

What is escrow?

The term "escrow" is from the French word "escroue" which means "a scroll". So, what is an escrow? Occasionally clients will ask that question, particularly if they are new residents of California, since primarily only the western states use escrow practitioners as settlement agents. In the rest of the country, lawyers handle the closing process.

When asked this question, a general reply might be, "Escrow is the deposit of money and documents by two or more parties with a neutral third party that are held by the third party until certain conditions are met." California's Financial Code Section 17003 (A) states:

"Escrow" means any transaction in which 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 that third person until the happening of a specified event or the performance of a prescribed condition, when it is then to be delivered by that third person to a grantee, grantor, promisee, promisor, obligee, obligor, bailee, bailor, or any agent or employee of any of the latter.

In other words, the escrow holder is the neutral third party.

The History of Escrow

In the very early days of our country, property was transferred from the seller directly to the buyer. Often the parties knew one another. The seller handed over the deed when the buyer paid the money. This process worked well as long as the seller was sure the buyer's consideration such as cash or bank check was good, and the buyer knew the seller's deed was valid. However, as communities grew, more and more strangers arrived until buyer and seller were no longer acquainted. A system was needed to put the trust back into the transaction.

Even before California became a state, buyers began to hire attorneys to search the public records for proof the seller owned the land but there were no ownership guarantees. Sellers began giving buyers a written history of the recorded documents affecting a piece of land, called an Abstract of Title, with an attorney's legal opinion attached. Abstract companies began to appear close to the courthouse to assist attorneys with their search.

In the 1870's, abstract companies began issuing a brief summary of the history of the property called a Certificate of Title. However, the courts ruled that abstractors were not liable if the Certificate of Title contained errors or omissions. A guarantee or form of insurance was needed to protect consumers. In 1886, California Title Insurance and Trust Company was incorporated; they issued their first policy of title insurance on March 17, 1887.

Reasons for Escrow

Escrow practitioners perform a very important function, yet there is no state law requiring all property transfers go through escrow, nor are escrow practitioners licensed by the State of California to perform escrow duties. The law does require certain types of transactions use an escrow, namely probate sales, liquor license transfers, new Dealer manufactured homes and securities or stock sales.

It is recommended that all property transfers use escrow services for the following reasons:

- Escrow serves as a neutral depository for money and documents. The escrow practitioner acts in a fiduciary or trust capacity. The escrow practitioner does not favor any one party and acts impartially towards all.
- An escrow practitioner assures that all conditions are satisfied before the deeds are recorded or other transfer documents filed or distributed.
- Escrow practitioners provide expertise in escrow practices, document preparation and in understanding the title insurance process.
- Escrow provides a clear, concise accounting of all funds involved in the escrow process.

- The escrow practitioner arranges for safe delivery of all funds and documents to their proper recipient.
- The consumer is protected by the secure and impartial nature of the escrow process.

Common Types of Escrows

The subject of an escrow may be either *real property*, defined as land and structures affixed to land or *personal property*, defined as moveable property such as a mobile home, small business, or a beneficial (lender's) interest in a Note and Deed of Trust. An escrow transaction may even cover a combination of real and personal property.

Real Property Sales: Most escrows processed involve the sale of a structure of some kind, but are not limited to single family residences. Real property sales also include multifamily dwellings such as apartments as well as commercial and industrial projects like hotels, office buildings, warehouse and storage facilities, vacant land acquisitions and new construction. The escrow officer prepares escrow instructions and documents including a Grant Deed, orders demands for payoff of existing loans, orders insurance, prepares closing statements and pays funds to entitled parties.

Loan Escrows: Commonly known as a refinance, "refi" or home equity loan escrow, this type of escrow is used when the borrower desires a new, often lower interest rate loan to be secured by property already owned by the borrower. Because there is generally no transfer of property ownership, there is no need for a Grant Deed. However, the escrow officer still prepares escrow instructions, orders demands for the payoff of existing loans, orders insurance, prepares closing statements and pays funds to entitled parties.

Subdivision Escrows: In areas where there is new construction, an escrow or title company may operate a special subdivision department. The escrow officer must be well acquainted with standard escrow practices and also with matters relating to new development including compliance with the Subdivision Map Act and Department of Real Estate requirements. These requirements may include, when applicable, a Preliminary Public Report (also known as the Pink Report) and a Final Public Report (also known as the White Report). The escrow officer must be familiar with the need to incorporate reservations and conditions into the Grant Deed, to prepare Notices of Completion and to accomplish the lot-by-lot payoff and partial reconveyance or release of existing loans.

Bulk Sales: The escrow practitioner in a bulk sale transaction handles the transfer of personal property usually associated with the sale of a business. This type of escrow, commonly called a "bulk transfer" and also known as "business

opportunity", must conform to the regulations of the Uniform Commercial Code, thereby protecting both the purchaser and the existing creditors of the business. Where the sale of a liquor license is involved, the escrow holder must also ensure compliance with Alcoholic Beverage Control Department requirements under the Business and Professions Code.

Mobile Homes: Mobile homes are typically personal property and mobile home transactions are often handled by an escrow person who specializes in these transfers. The escrow holder must be familiar with the significant regulatory laws of the California Department of Housing and Community Development and also with Health and Safety Codes. A Certificate of Title, Registration Card and Bill of Sale may be used instead of a Grant Deed, and a Security Agreement and Financing Statement replace the usual Deed of Trust.

Exchanges: An exchange, in its most basic form, can be described as a situation where two or more parties trade their property rather than sell it in order to accomplish an investment goal such as deferring taxes. A complex exchange may include a number of parcels and may require the satisfaction of diverse requirements and regulations in multiple states. An accommodator, often called an intermediary, is commonly utilized in addition to escrow services, to meet the taxation-related aspects of the transaction.

Land Contract: A land sale contract is a unique form of real estate sale where the principal parties are vendor and vendee, instead of buyer and seller. The seller retains the legal title and the buyer obtains an equitable interest in the property, until such time as all conditions of the contract are satisfied and the buyer receives full title.

Sale of a Deed of Trust: This type of transaction involves the sale by the beneficiary (lender) under a Note and a Deed of Trust securing the Note, to a new lender. The escrow practitioner prepares an Assignment of Deed of Trust and an endorsement or allonge to the Note, facilitates the issuance of title insurance where provided and pays the entitled party at closing. The sale of a note consists of personal rather than real property.

Many of the above transactions require specific additional skills and expertise and should not be undertaken by an escrow person who has not completed thorough training in those specialty transactions.

Standard Tasks in an Escrow

Despite the unique nature of every escrow, there are similar elements. The processing of an escrow varies considerably depending on the type of

transaction. Following are some standard tasks which occur in most escrow transactions:

- Obtain information and any initial deposit of funds
- Prepare escrow instructions and documents
- Follow the written instructions of the principals
- Obtain signatures on instructions and documents; often, an Escrow Officer will also serve as a Notary Public
- Open title order, review and transmit documents to title company
- Request any necessary beneficiary or demand statements, owner's association data, and other reports as instructed
- Receive and carefully review the Preliminary Report
- Receive and review the beneficiary or demand statements
- Obtain documents and instructions from buyer's lender
- Review lender's instructions
- Facilitate the execution of loan documents by the buyer and the delivery of the documents to the lender and other appropriate parties
- Send documents to the title company for review and later recording
- Calculate estimated closing costs for buyer and seller
- Request closing funds from the buyer and buyer's lender
- Review file and provide instructions for recording
- Receive confirmation of recording and charges from title company
- Compute final closing costs
- Complete final closing statements
- Disburse funds according to instructions
- Print and distribute settlement statements and correspondence
- Comply with state and federal regulations for tax payment and reporting.

Parties to an Escrow

Principals: The people who sign the escrow instructions. In fact, escrow instructions are actually the principal's instructions to the escrow practitioner. The escrow practitioner is, in effect, working for the principals. The principals are usually the:

- Buyer and Seller in a sale
- Borrower in a refinance
- Lessor and Lessee in a lease or rental agreement
- Vendor and Vendee in a land contract
- Transferor and Transferee in a bulk sale or an exchange

Other Parties: In addition to the principals, many other parties may be involved in the escrow. This includes:

- Real estate brokers and salespeople
- Attorneys

- Title Officers
- Lenders and Mortgage Brokers
- Termite companies
- Insurance agents
- Owners Association and Association Management Companies
- Government agencies for municipal reports, taxes, liens, judgments and other monetary or non-monetary encumbrances

The escrow practitioner must be mindful of the confidential nature of the transaction. For example, the termite company does not need to know the sales price, and an attorney collecting a lien should not be told the amount of the seller's proceeds. Discretion is needed to provide only the information relevant to the particular party, or in providing no information at all when appropriate. In fact, most escrow practitioners should not admit they have an open escrow on a specific property unless they are speaking to the principals, the other parties involved in the escrow, or another escrow practitioner with a contingent escrow.

Job Descriptions

The California Escrow Association has developed the following descriptions of jobs common to the escrow industry. The tasks and skills listed are general guidelines, and may vary according to location, custom and company procedures.

RECEPTIONIST: Answers the phone, opens and date stamps incoming mail and deliveries, greets customers upon arrival, and completes other clerical duties as assigned.

ESCROW ASSISTANT/TECHNICIAN: Under the supervision of one or more escrow officers, communicates by phone and electronic means, obtains information for new escrows, opens title orders and new escrow files, orders demands, orders fire insurance policies, prepares some documents, reviews the Preliminary Report, delivers settlement statements to the principals for review, completes disbursements and correspondence associated with closing, and manages post-closing issues and shipment of files to permanent storage.

To be an excellent Escrow Assistant, you should develop:

- Common sense
- Detailed mindset and the ability to multitask
- Willingness to ask questions
- Ability to meet deadlines on a regular basis
- Willingness to follow instructions and directions
- Commitment to excellence

- Patience, patience, patience
- Ability to learn and use escrow software products
- Willingness to attend escrow classes and workshops
- Ability to read thoroughly and comprehend written material
- Ability to communicate verbally and in written form
- Excellent customer service skills
- Professional office attire and manner

JUNIOR ESCROW OFFICER: Handles some or all of the Escrow Assistant/Technician duties with a minimum of supervision as well as the following additional tasks: prepares escrow instructions and amendments, recognizes and resolves issues in the Preliminary Report, maintains a calendar of critical dates and completes or delegates completion of requirements, prepares buyer and seller estimated statements, balances files for closing, obtains buyer's signatures on loan documents, orders funds on new loans, authorizes recording and handles a limited number of files independently under supervision. To be an excellent Junior Escrow Officer, you should acquire the following additional skills:

- The skills listed above for Escrow Assistant/Technician
- A basic understanding of "escrow math"
- The ability to analyze circumstances and reach sound decisions under close supervision
- An understanding of the technical aspects of the transaction
- Reflective attitude to hear the needs of the client
- The ability to explain details to the client in language they comprehend
- Problem-solving skills to anticipate and resolve situations which might otherwise delay or prevent closing.

ESCROW OFFICER: Meets with clients, in person or electronically, to open escrow, prepares escrow instructions, prepares complex amendments when needed, prepares estimated settlement statements, balances the file and handles telephone calls and customer interaction that are beyond the scope of junior employees.

To be an excellent Escrow Officer, you should acquire the following additional skills:

- The skills listed above for Junior Escrow Officer
- A thorough understanding of "escrow math"
- The ability to analyze complex circumstances and reach sound decisions with limited supervision
- A broad understanding of the technical aspects of the transaction
- The ability to explain complex details to the client
- Sales and marketing techniques

DO OPPORTUNITIES EXIST AFTER ESCROW OFFICER? After you have proven yourself an effective and competent Escrow Officer, you may wish to pursue the position of Escrow Manager or Escrow Administrator. Advanced positions and job descriptions vary according to geographic region, company organization and practice.

Is Escrow a Career for You?

The escrow profession is fast-paced and demanding, and can be a highly rewarding career. Consider your role with the family that has been setting aside money for years in order to purchase a piece of the American Dream. How exciting it is to be the one who brings all facets of a transaction together! There are few greater rewards than calling first-time homebuyers to announce "Congratulations on your new home!"

Now that you have some details about escrow, are you interested in considering a career in the escrow industry?

Unique Educational Opportunities with CEA

There are many resources available to you to gain knowledge relating to the escrow field. Here are just a few:

Online Courses

The California Escrow Association's online education is the ultimate learning environment. Online courses from CEA merge Internet convenience and flexibility with your demanding schedule. CEA is committed to providing a variety of web-based courses that provide you with the practical information you need to grow professionally. Visit www.ceaescrow.org and look for "Online Education".

Education Throughout the State

Many educational opportunities are offered by the local regional associations and other sources. A listing of these opportunities and enrollment information can be found at www.ceaescrow.org.

Escrow I, II, III Handbooks

Escrow knowledge is captured in this set of handbooks geared to provide information for all levels of the escrow industry. Subject to availability; please check www.ceaescrow.org for current status.

Professional Designations

The California Escrow Association has created several Professional Designations and Specialty Designations to further the escrow practitioner's abilities.

To earn a designation the escrow practitioner must be a CEA member and pass a comprehensive examination. The test includes an escrow transaction problem that requires 'hand-balancing' and preparing documents for an escrow file based upon information provided. In addition, the test includes an oral interview by a panel of three individuals regarding standard escrow practices and a written true/false/multiple choice exam covering many phases of escrow, title, regulatory and related matters.

The current professional designations, including requirements are:

Certified Escrow Technician (CET): 1 year of experience; designed for the Escrow Assistant/Junior Escrow Officer

Certified Escrow Officer (CEO): 4 years of experience; designed for the Escrow Officer.

Certified Senior Escrow Officer (CSEO): 9 years of experience; designed for the Advanced Escrow Officer.

Certified Mobile Home Specialist (CMHS): Candidate must already hold a CEO or CSEO designation; designed for mobile home escrow practitioners.

Certified Bulk Sale Specialist (CBSS): Candidate must already hold a CEO or CSEO designation; designed for those processing bulk transfer/business opportunity escrow transactions.

Certified Escrow Instructor (CEI): Candidate must already hold a CSEO designation; this is an escrow teaching credential recognized by the California Escrow Association.

Professional designations must be maintained by continuous CEA membership in addition to obtaining continuing education units from attendance at regional meetings, workshops, conferences, approved online education and other events, as determined by the California Escrow Association. Please refer to the Professional Designation guidelines on the CEA Web site at www.ceaescrow.org for more detailed information.

For More Information

Contact the California Escrow Association for information. Begin with the CEA Web site at www.ceaescrow.org where you can find educational opportunities as well as links to career possibilities and other exciting information. Good luck and best wishes from the California Escrow Association!

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