

# Real Estate Escrows and Title Insurance

## What is a real estate escrow?

A real estate escrow is a typical part of the purchase and sale of real property. It allows a disinterested third party (an escrow holder) to hold funds and conveyance documents received from the buyer and seller until the close of the transaction. If all requirements of the transaction have been met, then, at the closing, the escrow holder delivers the written documents, evidence of title, money or other things of value to the appropriate parties involved in the transaction.

## What is the purpose of a real estate escrow?

To provide a disinterested third party who can act as a clearinghouse for concluding a real estate purchase and sale. An escrow company may also issue a title insurance policy.

## How does a real estate escrow get started?

There must be a binding sales contract between the buyer and seller. This contract is given to an escrow holder chosen by the parties. For example, a deposit receipt, a purchase and sale agreement, an exchange agreement or mutual escrow instructions are handed to an escrow holder after being signed by all parties.

## Who can act as an escrow holder?

Most escrow companies, title companies, attorneys or banks may act as an escrow holder. Your real estate broker or agent can help you select an appropriate escrow holder.

## What are the steps involved in a real estate escrow?

Generally the escrow process begins with the following items:

- A preliminary title search is made of the property;
- Existing liens are identified;



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- The buyer and seller tell the escrow holder when they would like to close the transaction;
- Deposits of funds and documents are made;
- The escrow holder records the necessary documents;
- The escrow holder disburses funds and secures the issuance of the title policy; and
- The escrow holder sends the parties a final escrow statement.

### How are the fees for a real estate escrow divided?

How the parties share escrow fees is most commonly dictated by the custom of the region or county in which the property is located. It is common for the seller to pay for the buyer's policy of title insurance and for the buyer to pay for its own lender's policy of title insurance as well as any costs associated with obtaining or recording a new loan. Real property transfer tax, recording fees and escrow fees are often split equally. The seller usually pays the real estate broker's fee. However, the responsibilities for all of these fees may be apportioned differently by the parties in a written agreement.

### How much can I expect to pay for an escrow?

Many costs paid by the parties, such as title insurance fees, are based upon the total sales price paid for the property being sold. The costs of title insurance and escrow fees are approved by the Nevada Division of Insurance and are required to be made public. You can obtain and compare costs online at: <http://titlerates.doi.nv.gov/>. Fees charged by the escrow holder may be negotiable.

### What is title insurance?

Title insurance is an insurance policy issued by a title company licensed in the state of Nevada that is intended to protect the purchaser of real estate against loss if the title to the property is flawed. A special title insurance policy, called an ALTA policy, protects the buyer if, after the close of escrow, mechanic's liens are recorded against the property for work done or material supplied to the property at the time the seller owned it.

### What is a title report?

A title report is a report that discloses the current ownership, easements, restrictions and liens relating to a particular property. This report is normally prepared by a title company prior to issuing a title insurance policy. A preliminary version of this report is known as a preliminary title report.

### Must I buy title insurance when closing a real estate transaction?

There is no requirement to buy title insurance; however, if you are purchasing the real property with borrowed money, most mortgage companies, banks and credit unions will require title insurance to protect their interest in the property. Regardless, it is recommended that you do purchase title insurance unless you have fully investigated the condition of title and are willing to accept the property with the liens and restrictions shown. You would be particularly well advised to purchase an ALTA policy when buying a newly built home to protect against mechanic's liens that are recorded after close of escrow for work done or material supplied that were not paid for by the developer.

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TITLE  
INSURANCE  
BROCHURE



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### Do I need a lawyer to close a real estate transaction?

While simple real estate transactions may be handled without a lawyer, you may want your own attorney to clarify any terms that are unclear to you in any documents you are being asked to sign. You may also need sophisticated tax or real estate advice for more complex real estate transactions.

### How do I find an attorney with experience in real estate or escrow matters?

You can contact the State Bar of Nevada's Lawyer Referral Service at (702) 382-0504, or toll-free in Nevada at 1 (800) 789-5747, or look in the yellow pages of your telephone directory. You can also ask friends and/or relatives if they can recommend a good lawyer. The state bar's main office (see numbers listed on first page) can tell you whether or not an attorney is licensed in Nevada and in good standing.