

ESCROW CREDITS

E X P L A I N E D

▶ WHO SUBMITS THE CREDITS?

During the Escrow Transaction, the subject of Credits often comes up. Usually, it is a seller credit to the buyer, in lieu of termite damage, or repairs. However, when there is a lender involved in the transaction the lender has final discretion on any credits applied.

▶ WHEN DO CREDITS NEED TO BE SUBMITTED TO ESCROW?

Generally, during the course of an Escrow transaction, after the buyer has completed their physical inspection, they may submit a request for repair to the listing side. If there is a new loan and the buyer wants repairs done that the Seller is not in agreement to actually perform, the agents may negotiate a Seller Credit instead. This credit will be for "Buyer Closing Costs". As soon as this is negotiated by the agents, they should inform Escrow. Escrow will prepare an amendment reflecting the credit, and will send to the lender for approval of the credit.

▶ IS THERE A CUT-OFF FOR SUBMITTING CREDITS?

There is no actual cut-off, but in most cases Escrow needs to ensure that there are closing costs sufficient to cover the credit. If there is not enough closing costs to cover a credit, other terms may be negotiated including a price reduction. In transactions involving a lender, the escrow parties must submit the proposed credits to the lender before the buyer signs the Closing Disclosure. While closing credits may still be applied after the closing disclosure has gone out, it will cause a delay. In order to avoid delays, the agents should let Escrow know **as soon as possible** if there will be a credit, so that Escrow can inform the lender.

▶ WHAT IS THE DIFFERENCE BETWEEN A NON-RECURRING (NRCC) AND RECURRING (RCC) CREDITS?

Non-Recurring Credits include one time fees charged, including but not limited to the Lender, Title, and Escrow Companies. Recurring Credits are credits for "prepaid items" and items that will have to be paid over the course of ownership of the property or as long as the loan is in effect; such as prepaid interest, insurance, impounds, taxes, etc.

Escrow does not decide what is acceptable for a credit, and only relays the amendment to the Lender. The Lender then decides if there are fees that are not allowed, and if any will have to be removed from the credit. Credit would then need to be reduced, and any reduction of credit would then go back to the seller.