

# ESCROW EXPLAINED

## THE SUB ESCROW FEE

### WHAT IS THE SUB ESCROW FEE, AND WHY DO I HAVE TO PAY IT?

A Sub Escrow Fee is not an escrow fee. The Sub Escrow is a service provided by the Title Companies where the buyer's lender requires the Title Company to take the buyer's loan proceeds and send (via check or wire) the payment in full to the seller's mortgage payoffs. This process originated in Southern California with the perception that this process gives the buyer's lender an insured closing and guarantee that their mortgage to the buyer will be in a first lien position on the property. (A policy of title insurance guarantees that there are no clouds on title and that the buyer is receiving the property free and clear of encumbrances against the previous owner.) The amount of the fee can range from \$75.00 – \$125.00 depending on the Title Company, and the Sub Escrow fee is typically split evenly between the buyer and seller; unless the transaction is a Short Sale. Short Sale lenders very rarely approve this fee on behalf of the seller, so it must be paid by the buyer. Title fees cannot be discounted. California is a fee scheduled state, where Title Company's post their fees for review by the California Insurance Commissioner and once approved, these fees cannot be discounted.

*If the transaction is all cash, this sub escrow fee could be paid by the seller.*

### WHAT SERVICES ARE PROVIDED AS A RESULT OF THE SUB ESCROW FEE?

- Coordinating with the escrow/lender for recording
- Verify an update payoff demand figures with lender
- Verify payment of property taxes
- Calculate the payoffs on the day of closing
- Distribute all payoffs per instructions
- Upon confirmation of recording, notify escrow company and provide final figures
- Process refunds to escrow