



WHAT IS ESCROW?

Escrow is an impartial third party that handles the closing of a real estate transaction. The Escrow Officer acts as an intermediary between the Buyer and the Seller to ensure that all instructions as pertaining to a transaction are satisfied in a fair and legal manner.

An escrow is created when money and/or documents are deposited by two or more persons with a third party which are to be delivered upon the happening of certain conditions. The third party is known as the **escrow agent or escrow holder**.

The authority given to an escrow holder is strictly limited by instructions provided by the parties involved. Consequently, an escrow holder acts on mutual instructions deposited into escrow and DOES NOT represent any party. The escrow officer is authorized by instructions to allocate funds for items during the escrow period, such as real estate commissions, title insurance, liens, recording fees and other closing costs. Instructions also specify the method of collecting funds, proration issues, time limitations and all the terms of the transaction. The escrow process protects all parties involved by retaining money and documents until the mutual instructions are met.

The statutory definition of escrow is found in Hawaii Revised Statutes Chapter 449 and reads as follows: "Escrow" means any transaction affecting the title to real property, including leaseholds, proprietary leaseholds, and condominiums, in which a person not a party to the transaction and neither having nor acquiring any interest in the title receives from one party to the transaction, holds until the happening of an event or performance of a condition and then delivers to another party to the transaction, any money or other consideration or any instrument affecting the title to that real property, all in accordance with the terms of the agreement between the parties to the transaction.

This information is presented for informational purposes only and is deemed reliable but is not guaranteed.

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