

INSTRUCTIONS TO THE SETTLEMENT AGENT

Settlement Agents work from specific instructions provided by buyer and seller. Throughout the country the settlement process differs, but the role of the settlement agent remains the same. Depending on local custom, the escrow settlement agent may work from the purchase and sale agreement and any loan escrow instructions provided and/or separate escrow instructions prepared at the direction of the principals to the transaction.

Instructions are written documents, signed by the parties giving them, which direct the settlement agent in the specific particulars of the transaction. The settlement agent follows those to insure the proper steps are completed so the escrow can be closed.

Typical instructions include:

- The method by which the settlement agent is to receive and hold the purchase price to be paid by the buyer.
- The conditions under which a lapse of time or breach of purchase contract provision will terminate the escrow without a closing.
- The instruction and authorization to the settlement agent to disburse funds for recording fees, title insurance policy, real estate commissions, and any other closing costs incurred through escrow.
- Instructions as to the proration of taxes, rents or association dues, as applicable.
- Instructions on the payment of prior liens and charges against the property and distribution of the net sale proceeds.

Since the settlement agent can only follow the instructions as stated, and may not exceed them, it is extremely important that the instructions be stated clearly and be complete in all details.