Advantage One
ESCROW

FOR OWNERS AND INVESTORS · 5 MINUTE READ

# Refinancing your home: how the escrow works

A refinance escrow pays off your old loan with the new one and records the new loan. There is no buyer or seller, so your lender's schedule sets the pace.

## What makes a refinance different

In a refinance, you keep the home and replace the loan. No buyer. No seller. The file is between you and your new lender, with Advantage One Escrow in the middle.

The same neutral rules apply, and escrow follows the written instructions. It pays off the old loan with the new loan money and arranges for the new loan to be recorded.

## The steps

Most refinances follow this path:

- Your lender or loan officer sends the order to open escrow.
- We order a payoff demand from your current lender.
- The title company prepares the report your new lender needs, along with a new lender's title policy.
- The lender sends the loan documents, and you sign them in front of a notary.



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- If the home is your primary residence, a short waiting period follows the signing.
- The lender funds the new loan. It records, and escrow pays off the old one.
- Later, a reconveyance records to show the old loan is paid.

## Your right to cancel

When you refinance the home you live in, federal law usually gives you 3 business days after signing to cancel the new loan. This is called the right of rescission. The lender can't fund until that time has passed.

Your loan documents show the exact last day to cancel. Plan on funding a few days after you sign, not the same day.

The waiting period doesn't apply to every loan. A refinance of an investment property doesn't have it, for example. Your lender can tell you whether yours does.

## Your payoff

The payoff demand lists what it takes to pay your old loan in full. It includes interest up to the payoff date and any fees your old lender charges.

Interest runs every day, so the payoff changes if the funding date moves. We update the figures before we send the money.

If your old loan has a prepayment penalty, it will show on the payoff demand. Ask your old lender early if you aren't sure whether yours does.

If your old lender holds an impound account for taxes and insurance, it refunds the balance to you after the loan is paid off.

## Lines of credit and second loans

If you have a home equity line of credit that you plan to keep, its lender may have to sign a subordination agreement. That document lets your new loan take first place ahead of the line of credit.

If the line of credit is being paid off, it has to be closed as part of the payoff. Stop drawing on it once escrow opens.

We also handle escrows for a second loan or a line of credit on its own.

## What it costs

For a single-family home, our refinance escrow fee is a flat amount set by the loan size, plus a processing fee. Multi-family and commercial refinances use a base fee plus a rate per $1,000 of the loan.

Costs from others, such as the new lender's title policy and recording charges, appear as separate lines on your statement.

To estimate our part, use the fee calculator at advantageoneescrow.com/fees.

## Who signs

Everyone on title usually signs the new deed of trust, even if only one of you is on the loan. Your lender decides who must sign, so ask early if a co-owner lives out of town.

Bring a current government photo ID to your signing. The notary has to check it.

## Changing how you hold title

Some owners use a refinance to change how they hold title, for example by moving the home into a living trust. Lenders have their own rules about trusts. Talk with your attorney first, then tell your lender and escrow officer early.

## Timing and your first payment

Your lender sets the schedule. Funding follows once your signed documents are approved and any waiting period ends.

Your new lender sets your first payment date in your loan documents. Ask your loan officer if you aren't sure when it is.

## After the new loan records

Escrow sends you a final settlement statement. Keep it with your loan papers.

Later, a reconveyance records to show the old loan is paid. You don't need to do anything to make that happen, but keep any copy you receive.

## Wire safety in a refinance

If you're bringing money to close, call your escrow officer at a number you found yourself before you wire it. Our wire instructions don't change. Treat any message saying they have changed as fraud.

If you're taking cash out, we will never email or text you to change where it goes. Questions can go to your escrow officer at (714) 962-0999.

## Refinance checklist

- ☐ Current lender name and loan number sent to escrow.
- ☐ Home equity line details sent, if you have one.
- ☐ Photo ID current for the notary.
- ☐ Loan documents reviewed before signing.
- ☐ Last day to cancel noted, if the right to cancel applies.
- ☐ First payment date confirmed with the new lender.

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