

DOUBLE ESCROWS (aka “FLIPS”)

“Double escrows” (aka “Flips”) are dangerous because of the possibility that 1) a seller has been misled into selling the property for too little, 2) a buyer has been misled into purchasing for too much or 3) a lender and/or an assignee have been misled to loaning on property whose value has been artificially inflated. Escrow holders should not be liable in these situations, but if a lawsuit is filed, it will not matter whether you win or lose at trial - you will spend so much money in attorney’s fees that even if you win, you lose. On the other hand, many of these are legitimate transactions.

Note that the term “double escrow” includes the classic case where the purchase escrow is being funded with the proceeds of the sale escrow, but it also includes variations where the escrows do not close simultaneously and even where the escrows are handled by different companies.

Deciding whether to handle a double escrow must be done on a case-by-case basis. The attached supplemental instruction is a tool that can be used in deciding whether we will handle any part of the double escrow. However, obtaining the signed instructions does not necessarily mean we can automatically handle the transaction. We still need to make our decision after considering the entire situation in order to satisfy ourselves that the seller truly understands that the buyer is making an instant profit.

The attached supplemental instruction is a disclosure that the property is being re-sold for a profit and sets forth the sales prices of both sales. If the customers do not want to sign the supplemental instructions (what does that tell you?), we will very likely decide not to handle the **title or escrow** for **either leg** of the transaction.

The parties we need to sign the Supplemental Instruction are the:

- Seller,
- Buyer,
- Lender and
- Lender’s assignee (if known).

SUPPLEMENTAL INSTRUCTIONS

Date: _____

Escrow No.: _____

To: _____

The parties acknowledge that the subject property is being acquired for a purchase price of \$_____ through _____ Company, Escrow No. _____, **and simultaneously sold** for a sales price of \$_____ through _____ Company, Escrow No. _____.

All other terms and conditions of the escrow instructions remain the same.

The parties who need to sign this instruction are the:

- Seller,
- Buyer,
- Lender and
- Lender's assignee (if known).