



SHINE BRIGHT

GOOD FUNDS: THE SIMPLE FACTS

Good funds, as the name implies, are funds guaranteed to be available upon demand. They are an equivalent to cash, in that they are a medium of exchange that is immediately valid, available, and usable. Unlike personal checks, which need to be cleared by the check-writer's bank before a debt is paid-- a process that can take several days, good funds are generally accepted as full and immediate payment. The absence of good funds at a real estate closing, or settlement, may significantly delay the transaction.

That is because good funds laws, which are applicable to real estate transactions in most states, prohibit a lender (and its agent, the title company, escrow company, or closing attorney) from recording a lien against the borrower's property before the full amount of the proceeds of the loan have been satisfactorily delivered. This ensures, among other things, that the transaction is funded; such that any lien that is to be paid from the proceeds of the loan will be paid with funds secure for disbursement according to the settlement instructions.

Each state statute sets forth the forms of payment that qualify as "good funds" in that particular state. Typically, acceptable good funds include:

- Cashiers' checks
- Certified checks
- A bank check drawn upon a federally insured bank, saving and loan, or credit union
- Checks from a government agency or municipality
- A wire transfer where verification of receipt has been established – and, because there may be a small variance between the estimated closing costs and the final closing costs
- A personal check for a small amount (usually no more than \$500 or \$1,000, depending upon the state requirement)

Additionally, when scheduling back-to-back closings, bear in mind that wire transfers take time to be recognized by the receiving bank, and may take four hours or longer from the time sent until the time they are officially received – and that rising instances of wire fraud are creating an abundance of caution for anyone involved in a real estate transaction. Managing expectations for both the buyer and the seller can help make a closing day as pleasant an experience as possible. This includes complying with funding regulations and requirements to avoid unnecessary delays in the funding of your clients' transactions. As your title/escrow partner, we work diligently to facilitate every closing transaction and to provide the required calculations as early as possible to all parties.

As an educated and experienced real estate professional, you should be sure your buyers know well in advance that good funds only will be accepted at closing.

There may be any number of pitfalls in a real estate transaction, and closing day can be stressful. Good fund laws ensure that the funding will be timely and reliable and attempt to keep things moving smoothly.

HELPING YOU SHINE BRIGHT