



What are Collected Funds?

Have you wondered what is considered collected funds or has there ever been an issue where during a closing collected funds came in to play?

The law is as simple as this.

Washington's collected funds law requires an escrow agent not to make disbursements until the net business day after the business day the funds are deposited, unless the funds are made in cash, wire transfer, or in a form that allows the conversion of the deposit to cash on the same day the deposit is made.

Funds deposited for escrow must meet the requirement:

Funds must be in the form of a cashier's check drawn on a Washington State Bank and deposited into escrow at least 24 hours prior to closing and disbursement, unless a wire transfer is used (preferred).

If a lender or borrower deposits its loan proceeds into escrow by check (not wire transfer) and does so on the day of recording of documents, disbursements can't happen until those funds have been collected. In this scenario payoff of existing loans, payments to mortgage brokers, seller proceeds, realtor's commissions and all other disbursements from escrow will be delayed.