



DEPARTMENT OF COMMERCE

INSURANCE DIVISION

201 South Fall Street

Carson City, Nevada 89710

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BULLETIN NO. 88-002

July 27, 1988

USE OF CHECKS IN ESCROW TRANSACTION

In Bulletin 86-007, the Division explained its posture with regard the execution of escrow instructions based upon the receipt of a "draft." In summary, the position is that execution before the draft is honored by the originating bank may be a violation of the escrow instructions and, therefore, Title 57 of NRS.

Since that time questions have arisen concerning "checks" and the responsibilities of a title agent or escrow officer in the event of a check being returned because the account upon which the check was drawn had insufficient funds to honor the check.

Any licensee conducting escrow activity may execute escrow instructions upon receipt of a check, prior to its being honored, if:

1. The escrow instructions specifically address the issue of execution upon receipt of a financial instrument rather than upon its being honored.
2. The title agent maintains sufficient corporate or partnership funds to honor the check, and does so. These funds may not, in any circumstances, come from "escrow", "collection or other fiduciary accounts maintained by the title agent.
3. The title agent maintains a separate financial record of all transactions of this type. These

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records must be maintained in such detail as to allow the Division to determine the origin of the funds, whether the check was ultimately honored and any outstanding amounts.



DAVID A. GATES
Commissioner of Insurance

DAG:sr

TO

Whom it May Concern

Memo

FROM

Shirley A. Rains
Secretary to the Commissioner

DATE 10/17/88

SUBJECT

Bulletin No. 88-002

The enclosed Bulletin is a corrected copy. Please discard Bulletin No. 87-002 (Use of Checks in Escrow Transaction), and replace with the attached. Be careful not to discard Bulletin No. 87-002 (Reserves for Non-Profit Medical Service Corporations).