

Trial Balance

Trial Balance. We know what it is. A snapshot of files with a non-zero balance. The real question is... do we truly understand the complete importance of it?



The trial balance is a crucial report, as it can give you notice that a file is not properly closed out. All files initially receive money, then during the process of closing, the file disburses the funds by the total amount that it received for the purpose of the loan. However, there are various circumstances that can cause a file to show up on the out of balance reports, such as:

- A returned check that got voided in the system but never reissued.
- A deposit was returned NFS and replacement funds never received.
- Credits do not match disbursements.
- Early deposits, such as escrow funds, deposited prior to closing.
- Additional funds were disbursed for recording fees or other matters and deposits were not received to cover these disbursements.
- Escrow funds being held giving the file a positive balance. (Escrow agreement should be in the file outlining why funds are being held, time period they should be held and who the funds are to be disbursed to once all requirements have been met.)

There are many other reasons that can cause a file not to be at a zero balance. There is always the possibility of a file that was closed months ago could show back up down the road due to additional disbursements or checks that are returned for various reasons. While the trial balance report can give you a quick overview of potential issues this is not to replace the outstanding deposits and outstanding checks report. Any shortages of a file, if not handled in a timely manner, can ultimately be the financial responsibility of the firm or the title company. Remember that if a missing deposit is reflecting on the outstanding deposit report it can also reflect on the trial balance report and cause a file to be short. Please always review the trial balance report and stay on top of it to keep it at a minimum. Review the file ledger and corresponding file documentation to identify the balance. If applicable, immediately disburse funds to the appropriate parties to keep the files out of balance accurate, make necessary posting corrections if errors are detected. Non-closing /miscellaneous files should only be used to post minor bank discrepancies and fees. The bank should be notified immediately upon discovery of errors so the bank can credit back account for any errors on their part. Please note that the bank will only cover fraud and errors for a limited time frame. Please get with your bank to make sure to verify their timelines. Any shortages should be covered from the operating account within thirty (30) days in you are not able to collect the funds from the appropriate party. If the funds are collected at a later date and the operating account has funded the shortage then the deposit funds collected into the escrow account, then cut a check to the operating account to balance the account. It is important to create a clear paper trail. One check should never be cut from the operating account to fund multiple file shortages unless there is clear documentation with file numbers and shortage amounts. If not, then the operating account should cover each file individually for simplicity of reconciling both accounts.



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