

Earnest Money

What is it, and what is it all about?

Before any document or agreement can become a legal and binding contract for both sides, there has to be “consideration.” Something is offered as proof that an agreement is more than just a person’s word. It represents a promise to the seller that you are “earnest”.

But how much shows good earnest?

As your broker, I typically recommend 2-3% of the purchase price of the home. This can be countered by the seller. It could go as high as 5%.

When do you need to pay this?

First, we will make an offer on the home of your dreams. Once we “win” the home and they’ve accepted your offer, this is considered “mutual acceptance.” At this time, I pick up a check from you, written out to the escrow company. Plan to have that checked cashed within 2-4 days from “mutual acceptance”.

What happens to your earnest money?

Earnest money will go into a trust account at the escrow company. There may or may not be contingencies, such as, but not limited to, Inspection or Financing contingency’s. Once we’ve satisfied contingencies and proceed to closing, the earnest money is credited to your down payment and/or closing costs at closing.

What happens if I change my mind or default for some reason?

This can be complex question to answer. The general rule is that if a buyer backs out for no legitimate reason, the seller would then get the earnest money. We can talk about this more in person if you have questions.

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