

WHAT YOU SHOULD KNOW ABOUT EARNEST MONEY

An important part of the homebuying process that you may never have heard of could help you land the home of your dreams. Here's an explanation of how earnest money works in a real estate transaction.

WHAT IS EARNEST MONEY?

Earnest money is an amount agreed to in the real estate contract that you will pay soon after entering into a contract as a show of “good faith” that you intend to purchase the property. If the deal closes, the earnest money is typically credited toward your downpayment and other costs of buying the home.

HOW MUCH EARNEST MONEY IS ENOUGH?

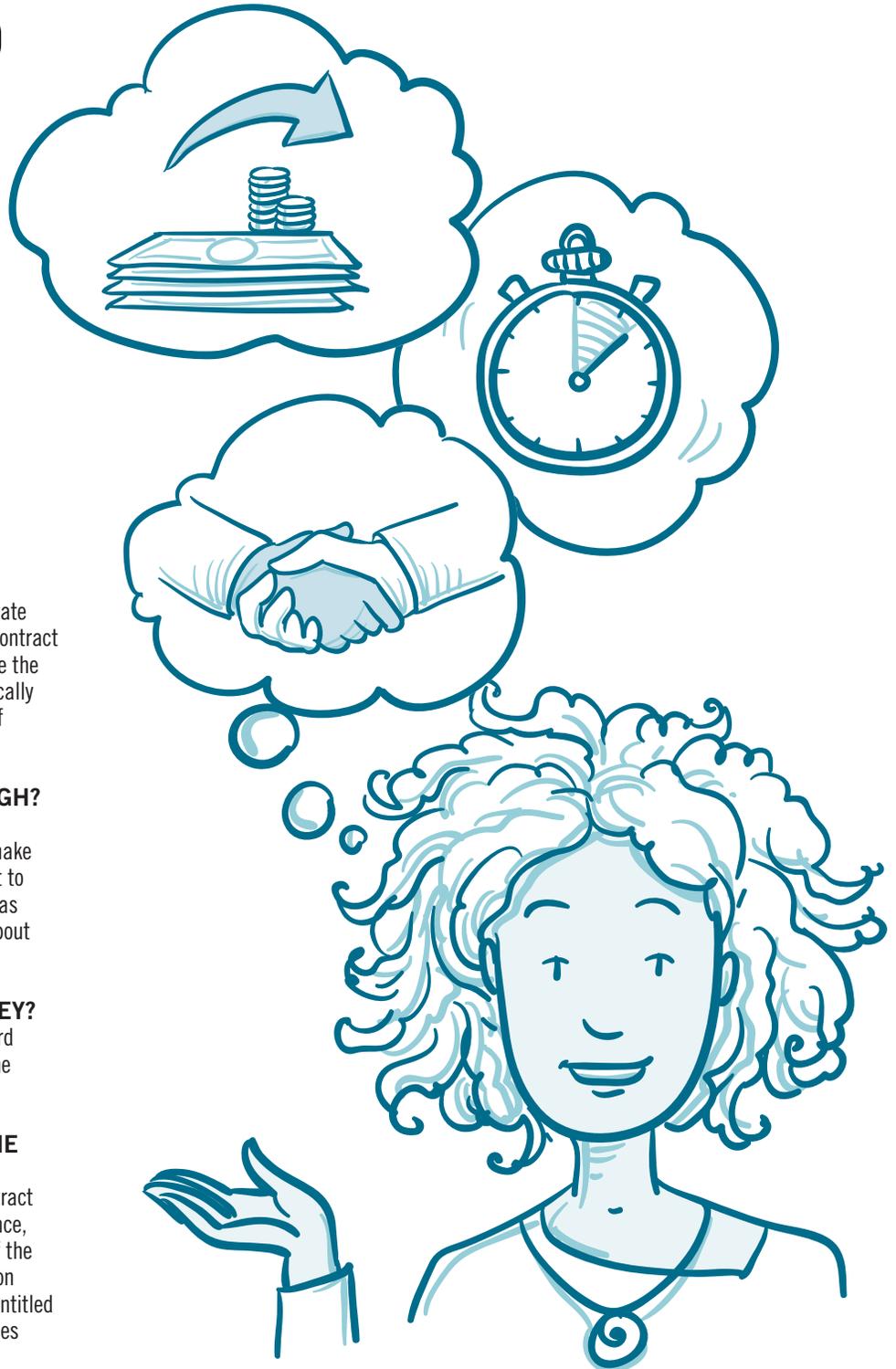
Choosing the right amount can show a seller you're a serious buyer. A larger deposit might be one way to make your offer stand out among other offers, but you want to choose an amount you are comfortable with. Your Texas REALTOR® can help you make an informed decision about how much earnest money to include with your offer.

WHO HOLDS ONTO THE EARNEST MONEY?

It usually goes to an escrow agent—an impartial third party such as a title company—who holds it until the transaction closes.

WHO GETS THE EARNEST MONEY IF THE TRANSACTION DOESN'T CLOSE?

If the transaction doesn't close, the terms of the contract determine who receives the earnest money. For instance, the earnest money is typically returned to the buyer if the buyer exercises his right to terminate during the option period. If the buyer and seller can't agree on who is entitled to the earnest money, things can get messy, sometimes even ending up in court.



A Texas REALTOR® can help you navigate your next home purchase and help you better understand earnest money.