



What is earnest money?

Earnest money is a deposit made by a home-buyer to show good faith and commitment to purchasing a property. It signals to the seller that the buyer is serious about their offer.

VA Loan Buyers & Earnest Money

VA loan buyers may hear that they don't need any money upfront because they can finance 100% of their home purchase. However, this is a misconception—sellers typically expect an earnest money deposit, even if it's as little as \$500, to accompany an offer.

Why Is Earnest Money Important?

- It demonstrates the buyer's commitment to completing the purchase.
- Sellers take a risk by accepting an offer, as they remove their home from the market and may miss out on other qualified buyers. Earnest money helps balance this risk.

How Earnest Money Is Handled

The deposit is held in escrow, usually by the buyer's brokerage or a title company and is protected by contract contingencies, such as:

- **Inspection Contingency** – If major issues are found, the buyer can back out.
- **Financing Contingency** – If the loan isn't approved, the buyer can cancel.
- **Appraisal Contingency** – If the home appraises for less than the purchase price, the buyer can renegotiate or walk away.

If any contingency is not met, the buyer can typically get their earnest money refunded. However, if the buyer defaults after all contingencies are removed, the seller may keep the earnest money as compensation for lost time and opportunity.