EARNEST MONEY vs. DOWN PAYMENT

Two major components of the closing of properties that often get confused

New Venture Escrow

EARNEST MONEY	DOWN PAYMENT

DEFINING THE TERMS

Earnest Money	Down Payment
Earnest money, or **good faith money**, is any deposit into an account (typically an escrow) on the part of a buyer to show commitment towards finalizing a deal.	**Down payments** are upfront cash payments that are a percentage of a total cost for the house in question.

SECURING THE DEAL

Earnest Money	Down Payment
Earnest deposits help make your offer stand out to sellers and lock down a deal to start the process.	**Down payments** help finalize the deal and ensure the property is in the hands of the buyer.

WHAT IS THE MONEY USED TOWARDS?

Earnest Money	Down Payment
After the **escrow is closed,** earnest money can go towards the down payment and closing costs.	**Down payments** are applied only towards the full purchase of a property in the closing of a housing sale.

IS THE CONTRACT VALID WITHOUT IT?

Earnest Money	Down Payment
Not required if both the seller and buyer sign a contract that does not state earnest money as a consideration.	**Yes, if taking out a mortgage loan** to pay for the house. You would need to secure it with a down payment.

WHO DOES THE MONEY GO TO?

Earnest Money	Down Payment
Goes into an **escrow.** The third party will hold it in a safe place until it's time for it to be applied to other costs.	**Down payment money** is sent directly to the seller of the home when it's time to close the deal.

HOW MUCH DO YOU HAVE TO PAY?

Earnest Money	Down Payment
Typical payment ranges from **1%-3%** of the amount paid to the seller.	Down payments usually have amounts from **5%-25%** of the total listed home value.

Learn more about the real estate process and escrow at https://newventureescrow.com/blog/

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