

Protecting Your Deposit

Earnest Money Guide

How much to put down, how your earnest money is protected at every stage, when you get it back, and when you don't.

Western Washington | Standard Purchase & Sale Agreement

Jeremy Williams Group · Western Washington

What Is Earnest Money?

Earnest money is a good-faith deposit made by a buyer after an offer is accepted. It demonstrates to the seller that you're a serious buyer with skin in the game — and it's applied toward your down payment or closing costs at closing.

In Washington State, earnest money is held in trust by either the listing brokerage, the buyer's brokerage, or escrow — never handed directly to the seller. It is protected by strict rules about how and when it can be disbursed.

"Earnest money is not a fee. If the transaction closes, it's yours — applied to your costs. If it's released back to you, you lose nothing. The risk is only when you breach the contract."

How Much Should You Put Down?

There's no legally required minimum for earnest money in Washington. But the amount you offer sends a message to the seller about your commitment level. Here's a practical framework for western Washington markets:

Price Range	Typical Earnest Money	Competitive Market
Under \$400K	\$3,000 – \$5,000	\$7,500 – \$10,000
\$400K – \$700K	\$5,000 – \$10,000	\$10,000 – \$20,000
\$700K – \$1M	\$10,000 – \$20,000	\$20,000 – \$30,000
\$1M+	\$20,000 – \$30,000	\$30,000 – \$50,000+

PRO TIP: In multiple offer situations, increasing earnest money can be just as compelling as increasing the purchase price — it shows commitment without necessarily increasing your long-term cost.

When and How Earnest Money Is Deposited

Offer Accepted

The clock starts. In a standard western Washington transaction, earnest money is due within 2 business days of mutual acceptance (the date all parties have signed the agreement). Failure to deposit on time can be considered a breach of contract.

Where It Goes

Earnest money is typically delivered to the listing brokerage or directly to escrow, by personal check, cashier's check, or wire transfer. Confirm the acceptable method with your agent before closing day approaches — some escrow companies only accept wire.

Trust Account Rules

Washington law (RCW 18.86) requires all brokerages holding trust funds to maintain them in a dedicated trust account, completely separate from the firm's operating accounts. The funds cannot be used for any purpose until disbursement is authorized.

Receipt Confirmation

Always request written confirmation that your earnest money was received and deposited. Your agent should provide this documentation within 2 business days of your deposit.

When You Get Your Earnest Money Back

The strength of earnest money protection depends heavily on your contingencies. Washington's standard purchase agreement includes several contingencies that, if properly exercised, allow you to exit and recover your full deposit:

Inspection Contingency

If you conduct inspections and deliver a written Form 35 notice within the inspection period, you can terminate and receive a full earnest money refund — even without reaching agreement with the seller. The key: submit your notice BEFORE the deadline expires.

Financing Contingency

If your loan is denied for reasons beyond your control and you provide written notice within the financing contingency period, you are entitled to your earnest money back. You must make good-faith efforts to secure financing — don't quit your job mid-transaction.

Appraisal Contingency

If the property appraises below purchase price and the seller won't reduce the price or negotiate, you may be able to terminate under the appraisal contingency and recover your deposit — if the contingency is included in your contract.

Title Contingency

If the preliminary title report reveals title defects that the seller cannot cure, you can terminate and recover your earnest money.

Sale of Buyer's Home Contingency

If your offer was contingent on selling your current home and that sale falls through, you can typically terminate and recover your deposit per the contract terms.

When You May Lose Your Earnest Money

Earnest money is at risk when a buyer breaches the purchase and sale agreement. Common scenarios where buyers have forfeited their deposit:

- Waiving the inspection contingency (common in competitive markets) and then terminating based on inspection findings — you waived that protection.
- Missing the earnest money deposit deadline, which can void the contract.
- Failing to make good-faith efforts to secure financing (changing jobs, taking on new debt, making large purchases that affect your debt-to-income ratio).
- Simply changing your mind after all contingencies have been removed.
- Missing closing without documented cause or mutual agreement to extend.
- Misrepresenting financial qualifications on your offer.

"Never waive contingencies without fully understanding what you're giving up. An experienced agent helps you compete without reckless risk."

Earnest Money Disputes: What Happens When Parties Don't Agree?

If a transaction falls apart and both parties claim the earnest money, the holding brokerage or escrow company cannot simply release it to either party without authorization. Here's how disputes are resolved in Washington:

Written Mutual Release

The fastest and most common resolution. Both parties sign a Release of Earnest Money form agreeing to the disbursement. Most disputes settle this way.

Mediation

The standard purchase and sale agreement includes a mandatory mediation clause. Before either party can sue, they must attempt mediation through a neutral third party.

Legal Action

If mediation fails, either party may pursue the dispute in Superior Court. The court will determine who is entitled to the funds based on contract terms.

Interpleader

If the holding party (brokerage or escrow) cannot resolve the dispute, they may petition a court to accept the funds and rule on their disbursement. This protects the brokerage from liability.

"The best earnest money strategy isn't about how much — it's about how well your contract is written to protect it. That's what experienced representation does."