

The Earnest Money Deposit (EMD) – Navigation Tips

When a purchaser submits an offer on a property to a seller an **Earnest Money Deposit** is generally included.

This deposit is not required to form a valid contract, but without it the seller has little incentive to accept an offer. The **EMD** gives the seller a sense of security that the buyer is serious and intends to follow through with the purchase and that if they default, their deposit may be at risk.

There is no set dollar amount for an EMD; the amount is negotiable between the parties to the contract. A larger EMD gives the seller more security and a smaller EMD gives them less. If one party defaults the EMD may be retained by the non-defaulting party as damages, depending on how and when one of the parties defaulted.

In the event of a default, in order for one of the parties to retain the deposit as damages, Virginia law requires that all parties to the contract sign a Release of Contract that states which party is retaining the EMD.

It is important to note that once the EMD is placed in an escrow account, there are only 3 ways that it may be released.

1. Transaction closes & EMD is applied to the purchase
2. Parties agree to EMD disposition via a release of contract
3. A court of law dictates the disposition of the EMD



***Please consult with your Long & Foster Realtor® if there are any questions regarding the EMD; this is a very brief summary of the process and should not be relied on as legal advice.*