

How much deposit to put down on home?

There's no rule, but 1 percent is sensible

If you're shopping for a home this spring, a reader asks, how much money should you put down as an earnest money deposit? A lot? A little? What's the rule?

There's no absolute rule - and "lot" or "little" can be in the eye of the seller.

"There's no legal answer," said Lori Byrum, an agent with Re/Max Executive Realty. "A binder can be whatever a seller is willing to accept as earnest money."

Allen Norwood



Generally, Byrum said, she asks clients to make deposits of about 1 percent of the purchase price. For a \$300,000 house, say, expect to offer about \$3,000. But that's just a rule of thumb; she might suggest a little more or less.

Syndicated real estate columnist Robert Bruss says you might want to offer more in a hot market or hot neighborhood.

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EDITOR'S NOTE: The New Home and At Home sections were combined this week for production reasons.

Byrum said such subtleties are less important as the typical home purchase changes.

Fewer and fewer of us pay 20 percent down and choose 30-year fixed mortgages. We're more likely to pay zero down and choose creative financing - which means other parts of the transaction are going to be far more important than the deposit.

"Almost all (buyers) are doing 100 percent financing," Byrum said, "so who really worries about the binder? We're way more worried about the appraisal."

If the appraisal is too low, the deal falls apart - and never mind the deposit.