

What you need to know about home deposits

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When you make an offer on a home, negotiating a deposit is part of the homebuying process. The deposit is just as important as your offer since it reassures the buyer that you're interested in buying the home and that you also have the finances to back up your offer.

Deposits are negotiated between the buyer and the seller and they can be put towards the downpayment and the home offer. While there's no minimum or standard deposit amount, consult your real estate agent for their insight.

Keep in mind that you should be able to afford paying the deposit amount and that the deposit should be easily accessible within a short period of time. Deposits can either be paid when the offer is made or within 24 hours that the seller has accepted the offer. If the deposit isn't paid on time, the seller has the right to cancel the deal.

In Toronto it's typical to offer a five per cent deposit, which for some homebuyers may be the same amount they would use for their downpayment.

The deposit is paid to your real estate agent, who then sends the information over to the seller's real estate agent. The real estate brokerage will hold onto the deposit in trust, which is done to protect the buyer from having the seller run off with the money. Also, the money provided by the buyer is insured and protected against fraud, insolvency or misappropriation, if a registered real estate agent is used.

When you sign your offer of purchase, you've signed a legal offer for the home. If you choose not to follow through, buyers could lose their deposit. For example, if a buyer is unsatisfied with the results of a home inspection, both the buyer and the seller must agree to release the deposit. The seller has the option not to release the deposit as well and it'll remain in the brokerage's trust account until the issue is resolved by a judge.

Buyers can choose to put a condition on the deposit and they might consider releasing a smaller deposit initially and the rest of the deposit will be released once the condition has been met.

When buying a home, know the rules behind the purchase to avoid costly mistakes down the road. Also, don't forget to account for [closing costs](#), which includes your downpayment among other expenses.

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