

Earnest Money Deposits

Information provided by:
Granite Exchange Services, Inc.
877-937-1031 • ges1031.com

Professional resources for Investors, Closers, Realtors, CPAs and Attorneys.

Can an investor place a deposit on their replacement property in a 1031?

Yes. When an investor finds their replacement property they may make an “earnest money deposit”.

There are two ways the investor can achieve this:

1. Granite Exchange Services (GES) can send a deposit directly from the investor’s Exchange Account to the Closing Agent or seller after the investor has entered into a purchase agreement on their replacement property.
2. An investor may place the deposit directly with the Closing Agent or seller, out-of-pocket.

Does an earnest money deposit affect the 1031 exchange?

No. The investor may enter into a contract for the purchase of replacement property using an earnest money deposit, however, the investor must be sure not to close escrow on the replacement property without the proper exchange documents in place.

Can the investor be reimbursed for their out-of-pocket deposit?

Yes. The investor can be reimbursed any out-of-pocket deposit(s) at the relinquished property closing. The Qualified Intermediary (GES), will instruct the closing agent to add a line item to the settlement statement. After receipt, the Qualified Intermediary (GES) will wire transfer funds from the exchange account to be reimbursed to the investor. The earnest money deposit is usually refundable and merely represents the buyers intent to purchase the property as a replacement in their 1031 exchange.

As with any exchange transaction, the investor is encouraged to contact a Granite Exchange Consultant at 877-937-1031 to discuss their specific situation.

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