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Understanding North Carolina Home Offer Deposits

Essential Buyer Guide: Due Diligence Fee vs. Earnest Money Deposit

When submitting an offer on residential property in North Carolina (Standard Form 2-T, Offer to Purchase and Contract), your offer typically includes two distinct upfront payments: the Due Diligence Fee (DDF) and the Earnest Money Deposit (EMD). Because North Carolina handles contract contingencies differently than almost any other state, understanding who holds your money—and who keeps it if you walk away—is critical before writing an offer.

DDF
DUE DILIGENCE FEE

VS.

EMD
EARNEST MONEY DEPOSIT



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Side-by-Side Comparison

Topic	Due Diligence Fee (DDF)	Earnest Money Deposit (EMD)
Primary Purpose	Purchases a negotiated period of time (the "Due Diligence Period") granting the buyer the unilateral right to investigate the property and terminate for any reason or no reason.	Serves as a standard good-faith deposit demonstrating financial commitment and seriousness to close.
Paid To	Directly to the Seller (funds are cashed/deposited immediately by seller).	Closing Attorney / Escrow Agent (held securely in a neutral trust account).
When It Is Paid	Due on the contract effective date (or delivered within standard contract banking deadlines).	Due upon contract execution or within an agreed-upon delivery window stated in Form 2-T.
Is It Refundable?	NO — GENERALLY NON-REFUNDABLE. Once paid, the seller keeps this money even if you terminate for any reason during the Due Diligence Period.	YES — REFUNDABLE if you terminate in writing before 5:00 PM on the Due Diligence expiration date.
What Happens at Closing?	100% credited toward your purchase price or down payment / closing costs.	100% credited toward your purchase price or down payment / closing costs.
Typical Amount	Negotiable; varies by market competition, property price, and inspection risk (commonly 0.5%-3%+).	Negotiable; typically 0.5%-3% of offer price depending on loan type and purchase price.

Critical NC Distinction:
The Due Diligence Fee Is Not Refundable

In many other states, contract deposits are held in escrow, and buyers retain contingency protections (such as separate appraisal, loan denial, or repair contingencies) that allow them to cancel and reclaim all deposited funds. North Carolina does NOT operate this way:

1. No Separate Financing or Appraisal Contingency: Under standard NC Form 2-T, you do not have independent loan or appraisal outs. All inspections, appraisal reviews, surveys, HOA guideline reviews, and final loan approvals must be completed and vetted before the Due Diligence deadline.

2. The "Walk-Away" Right: You have the absolute right to terminate for any reason or no reason before 5:00 PM on the Due Diligence expiration date.

3. The Cost of Walking Away: If you walk away during due diligence, your Earnest Money Deposit is returned to you, but the Due Diligence Fee is forfeited to the seller.

4. The Only Exceptions: The seller is only obligated to return the Due Diligence Fee under rare legal grounds, such as a material breach of contract by the seller (e.g., failure or inability to convey marketable title) or major casualty damage under Paragraph 12. The seller refusing your repair requests is not a breach.



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What Must Be Completed During the Due Diligence Period?

- Professional Inspections: General home inspection, radon, HVAC, pest/termite, roof, and septic/well tests.
- Repair Negotiations: Any repair agreement (Form 310-T) must be fully executed in writing by both buyer and seller prior to the deadline.
- Appraisal & Loan Approval: Confirming your lender has issued final loan approval and that the property appraised at or above contract value.
- HOA & Document Review: Restrictive covenants, bylaws, reserve funds, and architectural restrictions.
- Surveys & Insurance: Verifying boundary lines, easements, permits, and obtaining homeowners/flood insurance quotes.

All inspections, appraisal reviews, surveys, HOA guideline reviews, and final loan approvals must be completed and vatted before the Due Diligence deadline.

