Offer Terms Guide

Every term in a California purchase offer, explained in plain English.

This is general information, not legal or tax advice. Your agent can explain how any term applies to your situation.

Price & deposit

Offer price

The amount you are offering to pay for the home. It is the starting point for negotiation, not necessarily the final price.

Down payment

The cash you pay up front, shown in dollars and as a percent of the price. The rest is usually covered by your loan. A larger down payment means a smaller loan and lower monthly payment.

Initial deposit (earnest money)

A good-faith deposit, in California typically about 3% of the price, that you wire to escrow shortly after your offer is accepted. It shows the seller you are serious and is credited toward your purchase at closing.

Loan type

How you are paying: all cash, or a loan such as conventional, FHA, VA, or USDA. Each has different down-payment and approval rules.

Contingencies (your safety exits)

Finance / loan contingency

A window (California default about 21 days) to secure your loan. If financing falls through during this window, you can cancel and keep your deposit.

Appraisal contingency

A window (about 17 days) protecting you if the home appraises for less than the price. It lets you renegotiate or walk away rather than cover the gap in cash.

Property investigation contingency

A window (about 17 days) to inspect the home and its reports. If you find problems you cannot accept, you can request repairs, renegotiate, or cancel.

Contingencies (your safety exits)

Insurance contingency

Time to confirm you can actually get homeowner's insurance at a reasonable cost, which matters in fire and flood areas.

Waiving a contingency

Giving up one of these exits to make your offer stronger. It can help you win, but it removes a protection, so weigh it carefully.

Timing & the close

Acceptance date

The day the seller signs and both sides have a deal. Most other deadlines are counted from this date.

Close of escrow

The day ownership transfers to you and the keys are yours, usually 21 to 45 days after acceptance.

Title report

A report showing who legally owns the property and any liens, easements, or restrictions on it. Your title company reviews it before closing.

Money that moves at closing

Seller credit

Money the seller agrees to put toward your closing costs or repairs, reducing the cash you need at closing.

Escrow

A neutral third party that holds the money and documents and makes sure every condition is met before the sale completes.

Owner's title insurance

A one-time policy that protects your ownership against title problems that surface later. Customarily paid by the seller in much of California.

Lender's title insurance

A policy that protects your lender's interest in the loan. Paid by the buyer when you are financing.

County transfer tax

A tax on transferring the property, about $1.10 per $1,000 of price in California, customarily paid by the seller. Some cities add their own transfer tax.

Money that moves at closing

Notary & recording fees

Small charges to notarize your signatures and record the deed with the county.

Estimated cash to close

Your best estimate of the total cash you will need on closing day: down payment plus closing costs, minus your deposit and any seller credit.

Representation & compensation

Buyer-broker compensation

What your agent is paid for representing you. Your offer can ask the seller to cover it; if they will not, it may be your responsibility, so it is spelled out up front.

DRE number

Your agent's California Department of Real Estate license number, included so you can verify they are licensed.

Legal entity

Whether you are buying as an individual, a trust, or an LLC. This affects how your name appears on title and the paperwork required.

Your monthly payment

Principal & interest

The core of your mortgage payment: paying down the loan (principal) plus the cost of borrowing (interest).

Property taxes

Roughly 1.25% of the price per year in California, usually collected monthly with your mortgage.

Homeowner's insurance

Coverage for your home against fire, theft, and other risks, usually paid monthly with your mortgage.

HOA dues

Monthly fees for a condo or planned community that cover shared maintenance and amenities.

PMI / mortgage insurance

An extra monthly charge on many loans when your down payment is under 20%. On conventional loans it drops off once you have enough equity.