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## Doron F. Eghbali Real Estate Law

### [Would You Elicit a Discount If You Pay All Cash to Purchase Real Property?](#)

Monday, November 15, 2010 by [Doron F. Eghbali](#)

The short answer is not necessarily so. In these uncertain economic times, some people with cash in hand might be snapping up real properties hoping each time to obtain some kind of discount or accommodation from the seller. Nonetheless, not all cash offer sales are likely to elicit discounts or accommodations from a potential seller. Let us ascertain the rationale.

#### 1. SALIENT REASONS FOR APPEAL OF ALL CASH OFFERS TO SELLERS

If you pay all cash, then a potential seller could be more amenable to lowering the selling price, offering some incentives to consummate the deal, or even accommodating you further towards a smooth consummation. Here is, probably, the salient reason:

- **"CLEANER" DEAL:** If you pay all cash, then the sellers won't have to worry about financing contingency. This means if your acquisition of mortgage falls through, most probably, the deal is off because you could not secure the money needed. If the deal does not go through, the seller would have to re-market the property and continue paying for the property's expenses until a willing, able and ready buyer is found. Nonetheless, with all cash offer the seller is, to a large extent, guaranteed of the successful consummation of the deal OR at least getting the money deposited by seller to show good faith and seriousness ("Earnest Money").
- **FASTER DEAL:** Seller might be in a rush and would like to close the deal soon not worrying about the lender creating problems such as appraising the property lower and scuttling the deal or delay processing the loan. In such circumstances, all cash offer might be the best alternative for the seller.

## 1. SALIENT REASONS FOR *NON-APPEAL* OF ALL-CASH OFFERS TO SELLERS

- **SELLER GETS PAID WHETHER ALL-CASH OFFER OR NOT:** It is crucial to understand seller gets paid at the end of the deal whether it is a check from buyer or purchase money from a bank.
- **SELLER GETS PAID MORE WITH LESS ONEROUS DEMANDS:** If the seller does not have much equity in the property and would not want to offer significant discounts, then non-cash offer sale might be a better deal for the seller, as the seller will obtain more money and face less onerous demands, as long as, the buyer can put up a relatively large down payment and has a pre-approval letter from a reputable bank.
- **SELLER DEMANDS MORE MONEY FOR FORECLOSED PROPERTIES:** If the seller is a bank and the real property is a foreclosed one, then banks demand the highest price possible since they are responsible to their shareholders. All-cash offer does not necessarily attract much attention unless the price is right from the bank's perspective.
- **SELLER GETS PAID MORE THROUGH MORTGAGE PAYMENTS:** If the seller is a builder, it is very much possible, the builder has pre-financing arrangements with some lenders. This means the seller profits if buyer obtains their mortgage from the lenders the seller has pre-financing arrangements with. Hence, the seller might even offer buyer incentives to finance with them instead of paying cash.

### CAVEATS FOR ALL CASH OFFER PURCHASE

Even if you pay all cash for purchase of real property, you should demand the following from the seller, among other things, as the transaction were financed:

- Demand Property Appraisal
- Demand Property Inspection
- Demand Wood-Boring Inspection
- Demand Title Insurance

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