

The Pros & Cons of Non-Price Terms

On The Other Hand: Pros & Cons of Non-Price Terms from the Buyer's & Seller's Perspective

TERM	IMPACT ON BUYER		IMPACT ON SELLER	
	PROS	CONS	PROS	CONS
Short escrow/Long escrow	May impact move-in date, amount of prepaid interest and pro-rated taxes on closing costs.	May impact move-in date, amount of prepaid interest and pro-rated taxes on closing costs.	Short escrow – get cash sooner. Long escrow – able to stay in property longer.	Short escrow – must move out sooner. Long escrow – takes longer to get cash in hand.
As-Is	Buyer can have work completed to their satisfaction, by workers & with materials of their choosing.	Buyer might take property with known problems or non-functioning items	Minimizes work to property after acceptance.	Purchase price might reflect a discount for repairs needed.
Repairs	You don't have to do or pay for repairs after COE.	Seller may want you to pay a higher price for the property than if you took it as is. Seller may not complete repair the way you would like.	May be able to demand premium price from the buyer.	Cost and inconvenience of doing the repairs, sometimes in a rush to complete them prior to COE.
Closing cost credits	Keeps money in your pocket by reducing the amount you have to pay to close.	You are basically financing some of your closing costs.	Makes it cheaper and easier for Buyer to close the transaction, widening the number of buyers attracted to the property.	Some buyers needing credits are poor mortgage candidates, and may not follow through on deal.
Shortened contingency or objection periods	Brings certainty as to whether deal will close sooner, rather than later. Allows you to finalize your finances and moving plans sooner. Certainty is good.	Forces you and your team to get through inspections and underwriting faster – making the early phase of escrow a little (or a lot) more hectic.	Brings certainty that either deal will close or deposit will be forfeited sooner, rather than later.	N/A
Appraisal Contingency	Allows you to back out if the property doesn't appraise at the purchase price.	N/A	N/A	Creates uncertainty as to whether deal will close until contingency has been removed or objection period has expired.
Loan Contingency	MUST HAVE. Allows you to back out if your mortgage doesn't come through for whatever reason.	Some sellers dislike. Doesn't matter. You must have it unless you are paying cash for the property.	N/A	Creates uncertainty as to whether deal will close until contingency has been removed or objection period has expired.
Inspection Contingency (a.k.a. Buyer's Investigation)	MUST HAVE. Allows you to back out if property's condition is unacceptable.	Some sellers dislike. Doesn't matter – you must have it unless you are okay to buy property no matter what condition it is in.	Creates uncertainty as to whether deal will close until contingency has been removed or objection period has expired.	

The Pros & Cons of Non-Price Terms

Included Personal Property	Don't have to buy or install items.	Cost and inconvenience of discarding unwanted items.	Don't have to move or discard unwanted items.	Cost and inconvenience of replacing items.
Excluded Personal Property	Higher chance that you don't have to discard items.	You don't get to keep them items. (Only a disadvantage if you wanted them in the first place).	Get to keep the stuff.	Have to move or discard of the items.
Earnest Money Deposit Amount	The higher the deposit, the more attractive your offer to the sellers.	Cash out of your pocket early in the transaction.	The higher the amount, the more serious and well-qualified the buyer. Raises likelihood that deal will close, and may provide recourse if Buyer backs out after contingencies are removed or objection period is up.	May limit the amount of recourse against the buyer in the event of breach.
Liquidated Damages Clause	Sellers like it and are more likely to accept an offer containing it. Reduces risk of lawsuit in the event you breach the contract.	You forfeit your deposit money if you back out of the deal after you remove contingencies or your objection period expires.	Provides instant recourse without lawsuit if Buyer backs out after contingencies are removed or objection period is up.	May limit the amount of recourse against the buyer in the event of breach to the amount of the deposit or whatever amount is specified in the clause.
Arbitration Clause	Avoids length and expense of litigation, in the event of a dispute.	Less predictable than litigation. Seller is forced to disclose less information. May waive right to appeal.	Avoids length and expense of litigation, in the event of a dispute.	Less predictable than litigation, Buyer is forced to disclose less information. May waive right to appeal.