Are Cash Offers Really Better?

In real estate, cash offers have long been the gold standard — helping buyers stand out from the crowd by giving sellers the assurance of a fast, (mostly) guaranteed sale.

With a cash offer, explains Rinal Patel, a real estate investor based in Philadelphia, “there’s no waiting for a loan to be approved before the sale can close, and no possibility of the deal falling through due to a financing issue.”

Redfin estimates that a cash offer can nearly quadruple your chance of winning a bidding war. Some cash buyers try to use these odds to lowball sellers and get a home at a discount.[1]

However, most of the realtors we spoke to agreed that — given the seller’s market over the past two years — accepting a cash offer that’s below market value isn’t worth the trade-off.

“There are things an experienced real estate professional can do to vet a non-cash offer to ensure it closes without too many hiccups,” advises real estate investor Shaun Martin.

That’s good news for buyers who may not have the funds to pay for a home in cash, since it means they have options for competing against cash bids.

✍ Realtor’s take: Cash isn’t always king

“On closing day, all offers end up as cash,” advises Jeff House, who’s been selling real estate for 30 years. “The ultimate goal of a listing agent is to help the seller find the transaction that is most likely to close, close quickly, and NET the seller the highest proceeds possible.”

To assess the strength of an offer, House advises sellers examine several factors:

- The buyer’s financing
- The lender’s reputation and track record
- How much earnest money is put down for a deposit
- Inspection and appraisal requirements
- Suggested closing date
- The reputation of the title company
- How much the seller will pay in closing costs

Realtor Julian Schwertz agrees that a strong offer doesn’t need to be cash. “If a seller is working with a great real estate agent,” he says, “they will take the time to call the proposed lender to get more insight on the financial strength of the buyer as well as the lender’s ability to close smoothly and on time.”

What is a cash offer on a house?

In real estate, a cash offer doesn't necessarily mean a suitcase stacked with bills. An offer is considered "cash" when the buyer doesn't need to borrow money to pay for the house.

Mortgage approvals can greatly slow the closing process, since a lender's decision hinges on both a thorough review of the buyer's finances and an independent appraisal to ensure the sale price is in line with the property's actual value.

If a buyer can't secure financing at the agreed-upon price, they may need to back out of the deal.

Even if the financing process goes smoothly, a deal that requires mortgage approval typically takes 30–45 days to close. A home bought with cash can change hands in under two weeks, making it far more appealing to sellers ready to move out and move on.

Cash offers: Here's what to consider

"When it comes to real estate, cash offers are often seen as the best option," says Peter Beeda, a licensed realtor and CEO of FHA Lend. "Buyers and sellers can avoid dealing with lenders, allowing for quicker negotiations and more flexibility when it comes to the contract terms."

However, whether a cash offer is actually "better" than a financed offer really comes down to the needs of individual buyers and sellers.

Most people don't have the money to pay for a house outright — in fact, 87% of buyers and 93% of first-time buyers finance their homes.

Even if you do, “some people might prefer to put down a large chunk of cash and not have any monthly bills,” advises Beeda, “while others might prefer to take out a loan and have more regular payments.”

There are benefits and drawbacks to either option.

Cash offer considerations for sellers

Although cash offers can mean…	You risk…
Less risk	The deal still falling through
A faster sale and closing process	A lower cash offer than a financed one
An option to sell as-is	Being taken advantage of by the buyer

Cash offer considerations for buyers

Although cash offers can mean…	You risk…
Smaller bills (lower closing costs and no monthly mortgage payments)	Overpaying (if you skip due diligence)
You'll have instant equity	Tying your wealth up in a single asset

✅ Why do sellers prefer cash offers?

Compared with offers that are contingent on buyer financing, cash offers come with a lot less red tape.

📌 Fewer contingencies

The more contingencies that are written into a purchase agreement, the greater the risk that the sale will be delayed or canceled altogether.

As a buyer, your offer might be contingent on having the home professionally inspected, being able to secure financing (either through a loan or previous home sale). Your lender might also require a professional appraisal.

“A cash removes any risk of the buyer not qualifying for the loan,” says financial expert Guy Baker. “It also takes away the risk of the appraisal not coming in at the right amount to support the loan.

🔎 No appraisal required

Cash offers allow buyers to sidestep a lender’s appraisal, advises luxury real estate authority **Bonnie Heatzig**, making them far more attractive to sellers — especially in markets where houses regularly sell for above estimated market value.

When a buyer is financing a home, their lender has to agree on the value. So most purchase contracts contain an appraisal contingency to protect both the buyer and lender from overpaying for a home.

“In a seller’s market like we’ve been in,” says **Heatzig**, “many homes are not appraising at these very high prices.” Not surprisingly, the National Association for Realtors (NAR) found that appraisal issues were the number one reason for cancelled home sales in 2021.2

🏃 Faster close

Once a contract is signed, it takes an average of 30–45 days for a lender to clear a buyer to close. An all-cash transaction can close in 7–14 days.

A faster close is especially attractive for sellers who have already purchased a new home and need a fast sale in order to avoid paying two mortgages.

Other situations where a fast close is appealing include:

- A vacant or inherited property that the owner can’t afford to hold onto
- A property under foreclosure
- A rental property with problem tenants
- A move caused health issues or an unexpected life event
- A property that needs significant repairs or improvements

🏚️ Option to sell as-is

Getting a home ready for the market is a lot of effort, especially if it needs significant repairs or cosmetic updates. Some sellers simply don't have the time, money, or energy to do the work.

In other instances, if a home is distressed or needs major repairs to make it liveable, a seller may have a limited pool of buyers. In these cases, a local investor or "We Buy Houses" company willing to purchase your home as-is may be your best option.

"Most of the houses we purchase cash can't even be bought via regular financing," advises Satch Bernhardt, an active real estate investor based in Florida. "There are too many items in disrepair and no bank will lend on a home with these issues."

Companies like Bernhardt's make money by buying distressed homes at a discount and fixing them up to sell or rent out. If your home is in decent condition, Bernhardt recommends listing on the open market, where you'll have a much better chance of getting a higher offer.

» READ: How to sell your house fast without losing money

❌ Disadvantages of accepting a cash offer

While a cash offer can seem like the simpler option, sellers should keep some considerations in mind.

😭 Even a cash offer can fall through

Although cash offers tend to come with fewer strings attached, most home buyers are still going to want to have an inspection. Unless the buyer has already agreed to purchase a home "as is," major issues could result in their backing out of the deal.

"Cash offers made sight-unseen raise the biggest red flag to me," says Julian Schwertz of eXpRealty. "I've seen more homes come back onto the market that were cash than those that were financed."

An investor paying cash may be less concerned about losing their earnest money, says Schwertz, “but a first-time home buyer isn’t likely to jeopardize thousands of dollars like that.”

📊 A cash offer might be lower than a financed offer

“In my area of Southeast Michigan,” says realtor Jason Gelios, “I have seen many cash offers come in a lot less than the asking price in hopes that the seller will be intrigued by the fast close.

“While cash offers are less of a headache,” he says, “I advise most home sellers to consider higher financed offers in an effort to gain more for their property.”

“Cash offers DO tend to be lower than competing financed offers when looking at the top line of the offer,” agrees Aaron Steeves, a real estate investor based in Massachusetts. “But I would urge sellers to consider all of the potential fees, risks, and hurdles when deciding between a cashed and a financed offer.

One way to evaluate a cash offer, suggests Steeves, is in terms of the monetary value you’d place on having a guaranteed cash deal that can close on your schedule — versus a financed deal with lender contingencies that can fall apart altogether.

However, the NAR reports that only about 5–7% of real estate transactions fall through in the first place.[3]

🎯 Some cash buyers target homeowners in difficult situations

If a home becomes a financial burden, the appeal of a quick, all-cash sale can be hard to resist. You might even start hearing from companies offering to buy your house for cash.

“We Buy Houses” companies tend to offer significantly lower than open market value — sometimes as much as 50% less than a house is worth. Some use high-pressure tactics, giving you little time to do your due diligence before making a decision.

“Buyers can get pushy thinking that a cash offer is something a seller cannot refuse,” says Robert J. Fischer, who leads a real estate team in Austin, TX. But he recommends against accepting a below-market offer — even if it means quick cash.

If you’re not sure what a fair price for your home might be, you can ask a local real estate agent to run a comparative market analysis (CMA) showing how much you could get for it on the open market.

An agent can also advise you on how quickly you’ll be able to sell at different price points, so you can compare those scenarios with a cash offer. You may be able to sell your house fast without sacrificing all of the money you’ve put in.

✅ Why are cash offers better for buyers?

Because of the ease and certainty it affords the seller, buyers who can pay in cash have a greater chance of having their offers accepted.

Some sellers might even be willing to take a lower offer in exchange for the guarantee of a fast sale.

On top of the boost in bargaining power, there are a several benefits buyers can expect from making a cash offer.

💰 Lower closing costs

“A conventional home sale requires a lot of money during closing,” says Donald Shurts, a realtor with Keller Williams. Closing costs include items such as:

- Loan origination and processing fees
- Appraisal fees
- Credit checks
- Documentation fees

For buyers, closing costs typically add up to 2–5% of a home's purchase price. "A home sold in cash doesn't need to pay those expenses, says Shurts, "which results in saving money."

✍️ No mortgage or interest payments

One of the obvious advantages of making a cash offer on a home, Florida real estate agent **Bonnie Heatzig** suggests, "is that you don't need to make a monthly payment, since you own the home outright."

Apart from just the principal loan amount, you also avoid paying interest, escrowing your taxes,* and taking out private mortgage insurance.*

At an interest rate of 4.5%, a $400,000 mortgage will cost a borrower an extra $329,627 in interest over the course of a 30-year loan.

With all that extra cash at your disposal every month, you're free to invest, save, or spend it however you wish.

📈 Instant equity

Homeowners who carry a mortgage earn equity slowly by paying down the loan and waiting for the property to appreciate.

But If the home doesn't grow in value, or the market takes a sudden downturn, you could end up owing more on the property than it's worth. Without a mortgage to worry about, your home is transformed from a debt to an asset.

"Paying for a home in cash gives you the freedom to borrow against the value later on," advises Donald Shurts, a realtor with Keller Williams, "which could come in handy during an emergency."

Disadvantages of making a cash offer

While a cash offer is far more likely to appeal to a seller than bids that come with financing strings attached, there are definite drawbacks.

😔 You could still overpay

“Because no lender appraisal is required in an all-cash sale,” cautions realtor **Bonnie Heatzig**, “some buyers risk grossly overpaying for a home.”

On top of that, buying all cash also leaves the homeowner with less to live on. To avoid the risk of overpaying – and becoming house poor in the process — **Heatzig** recommends asking a real estate professional to run a comparative market analysis (CMA).*

» MORE: Connect with top local agents for a CMA

🔒 Your cash will be tied up in a single asset

One of the biggest downsides to paying for a home in cash is that you have less funds for:

- Other investments, such as stocks or even other properties
- Emergencies or a rainy day fund
- Savings or long-term financial goals, like retirement

If you don’t want to sink all of your money into a single asset, you could use delayed financing, suggests veteran real estate coach Jeff House.

“Delayed financing is where buyers use cash or stock to buy a house, and obtain a mortgage after the home is purchased,” says House. “This way, buyers get to enjoy the benefits of being a cash buyer while still getting the advantages of using a mortgage.”

How does a cash offer on a house work?

Making a cash offer follows a slightly different process than submitting an offer with a mortgage loan attached. Just like a financed buyer, you’ll need to:

1. Sign a purchase agreement
2. Submit an earnest money deposit

3. Retain a title and escrow company
4. Complete desired inspections
5. Obtain title and home insurance
6. Review HOA documents (if applicable)
7. Sign closing paperwork

However, there are a few variations in how the rest of the process goes — like providing proof of funds and doing your due diligence outside of the traditional inspections and appraisals required by lenders.

Just be careful about writing too many contingencies into your offer. Cash offers that come with a bunch of strings attached can quickly lose their edge over financed offers with fewer restrictions.

Wire the cash

On closing day, a cash buyer will need to provide a cashier's check for the full purchase amount or wire the funds to an escrow account beforehand. The money will be released from the escrow account to the seller once the closing paperwork has been signed and verified.

How common are cash offers?

While a majority of homes are still purchased through a mortgage, ATTOM reported that cash offers made up approximately 30% of home sales in 2021. Cash buyers include:

- Residential real estate investor
- iBuyers
- Individual homeowners

When you want to sell quickly without having to make repairs or open your house for showings, a private investor or "We Buy Houses" company can swoop in with a fast, easy sale. The downside to selling to an investor is that they tend to pay less for homes — usually 50–70% of the intended resale price, minus anticipated repair costs.

iBuyers tend to pay much closer to fair market value than traditional investors and can close in as little as a week. However, they won't buy distressed or outdated homes, AND they charge sellers a convenience fee of about 5%.

Traditional buyers may also pay cash if they are downsizing, moving to a less expensive area with equity from a previous home, or using cash from savings, investments, or family members.Buyers on the open market tend to offer the most for homes, but they can also be more risk-averse and require more contingencies than home-buying companies.

What if you don't have the cash to make a cash offer?

In a red-hot real estate market like we've seen over the past two years, cash offers have become increasingly common. However, the vast majority of home buyers still require a mortgage to pay for a home.

Even if you don't have the cash to pay for a home outright, it's still possible to make a cash offer on a house through a cash-backed offer program.

Cash-backed offer programs

To give mortgage borrowers a leg up, a new wave of start-ups — including Knock, Orchard, Opendoor, and Reali — have rolled out cash-backed offer programs turning traditional borrowers into cash buyers.

These companies essentially front you the funds for a cash offer and let you buy back the home at the same price with a mortgage.

Some cash offer providers require you to work with their lender or use their team of agents to shop for a home. Other companies simply guarantee to pay the seller cash on closing day — charging a fee for the service but allowing you to work with whatever agent or lender you choose.

While helpful for competing in markets where "cash is king," cash-backed offer programs can cost borrowers more in fees and closing costs than obtaining a conventional mortgage. They also may restrict your choice of mortgage provider or realtor.

What are the best alternatives to making a cash offer?

Even if you don’t have cash to purchase a home outright — and don’t want the added fees and restrictions that accompany a cash-backed offer program — you can still make a competitive offer.

Get a loan commitment from your lender

Realtor and investor Aaron Steeves suggests that the next best thing to a cash offer is a loan commitment from a lender, “which goes a step beyond a pre-approval.”

A loan commitment means an underwriter has reviewed the borrower’s finances and agreed to fund their loan. “This cuts down on lender contingencies and makes the deal about 80% as good as cash,” says Steeves.

All that remains is to get the home appraised (and ensure the borrower doesn’t do anything in the meantime to significantly impact their credit).

While the loan is still contingent on the lender appraisal, the buyer can opt to waive it — meaning they’ll need to put in extra cash if the appraisal comes back low.

Buyers who come to the table with a loan commitment can also close in just a few weeks, compared with the one or two months it might take a buyer who hasn’t been underwritten by a lender.

Sweeten the deal for the seller

In addition to securing a loan commitment, Julian Schwertz of eXpRealty suggests the following strategies to make your more attractive to sellers:

- Put more skin in the game by offering a higher earnest money deposit or option fee
- Waive the appraisal contingency and offer to cover the gap if there is one — but only if this won't put you in a difficult spot financially
- Offer to pay for the seller's closing costs or cover the buyer's agent commission

Charles Chandler of My Tennessee Home Solution adds that shortening the inspection period (the time you have to back out of a deal due without losing your earnest money deposit), making the earnest money deposit non-refundable, and providing proof of funds to cover any appraisal gap can also help your offer appeal to sellers.

To compete with cash, do your best to make an offer that accommodates the seller.

Maybe the seller wants a fast, secure close on an already vacant house, or perhaps they want additional time to stay in their home until they can close on a new one — in which case you could offer the sellers a rent-back option granting them extra time to move out.

An experienced real estate agent will put in the work to figure out what matters to the seller and guide you toward a solid offer strategy.