

But for the Plan

Negotiating Closing Date Extensions - “Due Diligence” Makes a Difference

Increasingly in residential real estate sales, and especially in this buyer’s market, Buyers demand closing date extensions for reasons (legitimate or not), on very poor terms for the Seller, knowing that the Seller does not want to relist. Faced with relisting their property in a down market, Sellers feel forced to agree to extensions for little compensation and little security.

Our Seller received such an extension demand from their Buyer, who could not close because first, the Buyer in their own sale asked *them* for an extension, and second, the Buyer’s financing was not ready (despite waiving the financing condition).

We helped our Seller by obtaining disclosure from the Buyer of their mortgage commitment, and production of the signed contract under which they agreed to extend their own sale.

Our Seller then agreed to extend, but only if the Buyer:

1. Agreed to automatically release the \$20,000 deposit held at the brokerage as security for the extension;
2. Paid a \$20,000 additional deposit as security for the extension; and
3. Paid \$2,500 compensation to the Seller for the week-long extension.

In response, the Buyer refused to automatically release the deposit at the brokerage, stating that the \$20,000 had been privately borrowed, so they did not want to authorize its automatic release if they could not close on the new date.

The Seller was nervous about pressing for better terms, concerned they would lose the Buyer altogether. **However, because we required that the Buyer divulge their own extension terms, we were aware they would actually receive a \$30,000 additional deposit.**

After much back and forth, the Buyer relented and agreed to forward not \$20,000, but \$30,000 as a further deposit, to be released automatically in the event of default on the new closing date. Further, we were able to secure the full \$2,500 compensation to the Seller. But for the Plan, the Seller might not have known how much cash the Buyer had available for an additional deposit, and would have settled for less security and less compensation. Now, for the rest of the story! The Buyer did close on the new closing date, and the Seller did receive an additional \$2,500 for their troubles.