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6 ways to beat an all-cash offer (yes, it's possible)

They say cash is king. So, in theory, anyone who's getting a mortgage to buy an apartment will be out of luck when facing the competition of an all-cash buyer. But in reality, that's just not true. "Non-contingent but seeking financing—that's the queen,'" says real estate agent Charlie Homet of Halstead Property, alluding to the scenario where a buyer agrees to buy regardless of whether a mortgage can actually be secured.

In fact, says Leonard Steinberg, president of Compass, many wealthy clients who can pay all-cash go the mortgage route. "You'd be surprised to see the high-end apartments that are tied to mortgages in the city," he says.

Shaun Osher, founder of CORE, points out that "at the end of the day, the seller doesn't care where the money's coming from, they care that it'll be at the closing."

Still, there's no denying the allure of a cash offer. And even though the market might be cooling a bit (as recent reports show), most of that is at the super-luxe end of the market, and there are still plenty of all-cash buyers around. So what's a prospective buyer not flush with cash to do? There are a number of strategies for the financing buyer who wants to be taken seriously as cold hard cash—from financing less, to spending more, to simply being easy to work with. Here are six strategies for competing:

1. Get pre-approved for a mortgage but do without a traditional mortgage contingency

Having a traditional mortgage contingency clause in the contract protects you from losing your down payment—typically around 20 percent—if you or the building aren't approved by a bank. That's great for you, and not so great for the seller. Which is why the most effective, and perhaps one of the most nerve-wracking, way to compete against all-cash is to waive the mortgage contingency altogether.

Obviously, you'll need to feel comfortable about the possibility of losing your deposit if you don't get financing. To cut down that risk and increase the seller's confidence that you'll get financing rather than walk away from your deposit, get yourself and the building pre-approved. "You need to provide enough good, solid evidence to the sellers to make them feel secure," says Steinberg.

To even further mitigate concerns for the seller, a buyer's broker should "come in with proof that the building's been approved for a loan within the last six months," says Jennifer Roberts of Engel & Volkers.

Mortgage banker and broker Julie Teitel of Everbank notes that even with a pre-approval for financing and a pre-approval of the building, unforeseen circumstances—like the loss of your job or a drop in your credit score, or an issue with the building—could put financing in jeopardy.

"No matter what, there is a chance that you can lose your down payment," she says. Consider the worst-case scenario: Will you be able to bail yourself out? Could you get a margin loan or a loan from a relative? Would you be okay with losing the down payment?

Still, she says it's rare that buyers lose their down payment, noting that she has can refer clients to about 30 different banks, and could likely find a backup. Rather, the question at that point is how long will the seller wait for you?

Another option is to offer an appraisal contingency, says Jeff Schleider, former founder of Miron Properties and VP of Business Development at CitiHabitats.

That means that if the apartment appraisal comes in too low for the amount of the loan—a real risk in a rising market and/or where apartments sell at over ask in a bidding war—you agree to make up the difference in cash and accept a lower loan amount from the lender. For instance, if you're looking to finance 80 percent of a property listed at $1 million, and the appraisal comes in at $900,000, the bank will only finance 80 percent of that amount ($720,000 versus the $800,000 you wanted), leaving you to come up with $80,000 to close the gap.

(Plan ahead tip: If you own other property, consider refinancing and pulling cash out to have it on hand to plug up any appraisal-induced shortfall, suggests Teitel.)

Structuring a deal where you're pre-approved, the building is pre-approved and you've estimated the over/under on the appraisal and have cash to close without a contingency is "a really good tool that needs to be used carefully," Schleider said, noting that with the right support structure, "you can get some really amazing deals."

2. Get less financing

A second way to compete against an all-cash offer is to put more down in cash right off the bat, and take less financing.

Andrew Luftig, a partner at Chaves & Perlowitz, a real estate law firm that specializes in transactional, commercial and residential lending practices, says he sees a lot of clients who want to finance 80 percent of a property's value because rates are so low. But if they have more available cash to put up, he thinks that dropping the financing amount to around 50 percent or 60 percent and paying cash for the rest can make an offer more attractive. You may want 80 percent, he says, "… but you want the apartment more."

The approach is seconded by Alan Perlowitz, the founder and managing partner of Chaves & Perlowitz, a real estate law firm that specializes in transactional, commercial and residential lending. He recalls a buyer who successfully competed against an all-cash asking-price offer. The buyer offered above asking price with 50% financing. In this case, even if the appraisal came in low and they had to finance more than 50 percent, their financials showed that they would be approved.

“The number one reason people don’t get financing is that the appraisal comes in low,” Perlowitz says. If this happens, it’s only someone borrowing 75 percent or 80 percent who will have an issue. Anyone borrowing less should be fine.

3. Bid higher than the competition—or throw in an extra financial incentive

Offering more money than your competition is an obvious way to get a seller's attention, Homet says. Even if another party is offering all cash, a bigger purchase price can certainly make the deal more attractive. Adds Roberts: "Consider maybe paying $25,000 more, or offering to pay the sellers' closing costs."

4. Be flexible with timing

A simple yet potentially effective tactic—particularly if a seller hasn't found a place to live yet—is to close the deal at the sellers’ convenience. Homet says he’s seen this flexibility put the buyer on top in a bidding war.

Oftentimes, being willing to move slowly is a plus, because "if you have a seller who wants to move fast, you’re going to lose to an all-cash buyer," says Steinberg. Of course, you'll have to weigh the costs of holding off on the sale. Just because it benefits the seller doesn't necessarily mean it'll make financial sense for you, the buyer. If your lease is up or you're selling your apartment more quickly, temporary housing is an option, but it's often a pricey one.

A second way to play with the timing of the deal is to negotiate a shorter period of time to obtain a loan commitment, Luftig and Perlowitz say. If the norm today is 30 to 45 days, you might ask your lender to push to turn things around in 15 days, or to move even more quickly. Experts only recommend this tactic you already have a close relationship with the lender and can ask for this--and rely on it--before promising anything to the seller.

5. Allow the seller to keep a portion of the down payment if the financing falls through

If you need financing and insist on a mortgage contingency, you might ease the sellers’ financial concerns by promising that if you don’t get financing, the seller can keep a portion of your down payment, Luftig and Perlowitz says.

The amount is often an approximation of what the seller spent during the 30 days in which the property was held up waiting for the financing. It might include any rent and maintenance, attorney expenses and some overhead. With this provision in place, the seller will worry less about losing money if they take the offer that isn’t all-cash.

It is "something to have in one's arsenal," says Roberts. The money would come from an escrow deposit, she says, and "could work well when combined with a shortened time period to obtain a mortgage—say 15 days versus 30."

And it does happen, says Steinberg. "We recently had a deal where the buyer offered that if the financing did not come through. the seller could keep a $100,000 'fee/fine''."

6. Show off your winning personality

When the price and other aspects of a deal are similar, sometimes personalities can seal it in one direction or the other. And convincing the sellers that you really love their home can work, too. It's something you can do in a letter, or you can ask your broker to do for you when communicating with the seller's broker. "If you tell a compelling story, that can sometimes give you a competitive edge," says Osher. "When a person resonates with the seller, that gives him in a competitive edge."

"Be nice to the brokers," suggests Engel & Volkers' Roberts.

“It’s very much still a business of people,” Homet says, noting that personalities and emotions often come into play during real estate transactions. If he, as a sellers’ broker, has a confidence in the buyer’s broker and thinks that they’re professional and have a great attitude, he says he may push his client in that direction. The attitude of the buyer themselves is also important, too, he said, noting that on the buy side, “you can’t be overly aggressive.”

He looks for a team—both a buyer and buyers’ broker—who are even-keeled, he said, and wants to know that the deal will move forward in a smooth and efficient way. (Which is why who you choose to represent you is so important). “If you get the confidence from them, and the attitude from them, that they’re going to be the easiest people to deal with, a lot of times that can make the deal happen," he says.