

Where have our morals gone; offers gone wild!

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A disturbing trend in over-priced offers today; could land you in front of a Professional Standards Panel tomorrow.

There is a worrisome trend in what Buyer's Agents are doing and they are putting their client's at risk and also risking an Ethics Complaint being filed against them. We all know that there is definitely a shortage of Residential Real Estate Inventory. But why do Agents continually encourage Buyers to submit offers well above asking price and have them waive the appraisal contingency? These offers aren't even coming with a cap on the potential difference.

We have noticed that there have been many cases where this spread can vary between appraised value and the inflated offer as much as \$25k-\$50k! Are agents so desperate to close a deal that they would risk the whole thing blowing up anyway? Not to mention that the Buyer could be sued by the Seller for specific performance and be forced to lose their deposit if they attempt to back out. If the asking price is \$250,000 and your client offers \$260,000 but the appraisal comes in at \$240,000, your client will be liable for the \$20,000 cash difference if they waived appraised value. Had you done a proper CMA prior, you could have advised your clients accordingly and not be party to them losing so much money.

According to a couple of Broward County Real Estate Attorneys, this is the latest thing that they are seeing and it's merely because the Buyer's Agent isn't doing their due diligence by running a CMA before they submit and offer. They are purportedly "So exhausted from running the Buyer all over town and losing several deals to higher bids, that they advised the Buyer to submit well above asking and to waive the Appraisal Contingency to make the offer look more appealing". The reality is that, in most cases, the deal can be killed by the Mortgage Broker anyway (according to a couple of Broward County Mortgage Brokers) because they can easily point out that the monies the Buyer intended to use above Appraisal would come out of their funds set aside for deposit hence making their spread too far apart and therefore not qualifying for the overall loan. In other cases, these Buyers are so well qualified and have saved up so much money, that they don't have any recourse to back out! Especially when the Buyer's Agent did not put a cap on the amount above appraisal the Buyer is willing to pay!

While it is indeed exciting to see on an offer that they Buyer has waived the Appraisal Contingency, as a Listing Agent, you have a duty to point out to the submitting agent that they may want to run the comps before they officially submit the offer. It is dis-heartening to realize that some REALTORS® are so desperate for a paycheck today, that they don't stop to realize that tomorrow's paycheck is just as important! We all pride ourselves in this industry on our referrals for longevity in this business. Of course if one of our peers does something to make our industry look bad, we all look bad in Consumer's eyes.

In closing, this is my plea to everyone to hold each-other accountable and do the right thing by ensuring that we all do our due-diligence by properly protecting our client's best interest every time, all the time. From a Risk Management standpoint, this is a major RED FLAG for Brokers who don't properly train or monitor the daily activity of their Agents and I'm sure you wouldn't want to lose your brokerage because of a rogue Agent.