



# **Cash Credits: Seller Home Repair Credits at Closing and Beyond!**

## ***Highlighting the Potential of Fraud***

*Christal Park Keegan, NVR Legal Information Line Attorney  
January 12, 2022*

If you've practiced real estate long enough, you'll have the privilege of witnessing what can only be described as Groundhog Day.

*Where things real estate professionals saw once long, long ago,  
in a land not so far, far, away,  
remerge their ugly head again, and again, and again.*

The Legal Information Line is seeing a rise of questions coming in about rebates and credits. You may recall that Nevada REALTORS® wrote an article on this in 2019\*. Let's welcome back this old issue - and address a new twist.

\* [2019 article "Inducements in Advertising" See Pg 2](#)

This article will address a seller crediting / rebating the buyer directly. This is coming up during the *request for repairs* part of the real estate transaction. For example:

*The seller agrees to provide a cash sum directly to the buyer,  
outside of escrow,  
of \$2,000 to cover repairs.*

It follows that these instances really pertain to the financed buyer. ***The real issue and problem with doing this is that the cash the buyer receives from a seller reduces the amount of cash needed at closing, therefore it must be disclosed!*** As the 2019 article\* referenced above suggests, **this transaction outside of escrow may be fraudulent!**

Agents will then ask: **How should it be disclosed?**

- 1. In writing, and**
- 2. To all parties, including the lender**



The buyer absolutely needs to notify the mortgage lender about the home rebate because these are things subject to the lender's approval. Sometimes lenders don't accept cash credits at closing or limit the amount of cash credits. Underwriters often treat credits to the buyer as reducing the sales price and that affects their loan to value ratios. Is this occurring to side step lender pushback? One can only guess...

All this to say, this is a bad practice! This type of activity can be viewed as inflating the cost of the home, **and may be fraudulent!** So what's the legal way for the seller to be able to pay the buyer the rebate/credit? Foremost, the buyer's lender is a great resource which should be relied on for guidance!

Additional options include:

1. In lieu of a credit, the seller pays the buyer's closing costs in a value equal to the repair costs.
2. Negotiating the final purchase price of the home by an amount agreed upon equal to the cost of repairs.
3. Creating a repair escrow at closing as a way for the seller to cover repair costs.
4. **\*\*Ask your broker for guidance on other or preferred client options that the brokerage has developed through experience!\*\***

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