# *Seller concessions: How a seller can pay your closing costs*

**Seller concessions allow the seller to pay your closing costs**

When you buy a home, a **down payment** isn't the only thing you have to consider. There are also closing costs.

**Closing costs** can be quite high — especially if you find yourself tight on cash for the down payment.

The good news is that, as a home buyer, your contract can stipulate that the seller pays any and all closing costs. You may even be able to bring your closing cost obligation down to zero.

This arrangement is known as "Seller Concessions," and its commonplace in certain home buying markets.

Don't want to pay closing costs? Ask the seller to pay them on your behalf.

**What are seller concessions?**

A seller concession is an arrangement where a home seller agrees to pay some, or all, of a buyer's **closing costs**.

Importantly, getting a seller concession does not mean the seller will hand over cash to pay for your upfront costs.

Rather, it's an agreement that allows the seller to cover the buyer's costs using part of the proceeds from the home sale. So, the buyer doesn't have to pay closing costs out of pocket — but the seller doesn't have to cut them a check, either.

Seller concessions are allowed on all major loan types, including conventional, FHA, VA, and USDA mortgages.

### How seller concessions work

Typically, seller concessions happen when the seller is having trouble moving their house. As an incentive for buyers, they'll agree to kick back part of the purchase price to help the buyer cover closing costs.

A seller concession can also be initiated by a buyer who needs help with their closing costs.

If the seller doesn't want to lose money on their sale, they might agree to a slightly higher purchase price, and then use those extra funds toward the buyer's closing costs. This effectively means the buyer is rolling their closing costs into their mortgage instead of paying them at the closing table.

Sometimes, a seller concession will cover all a buyer's upfront cost. Other times, it will not.

***In no circumstance*, however, may the amount of seller concessions exceed the amount of closing costs charged to the buyer.**

The buyer cannot use seller concessions to get "cash back" at closing.

Nor can seller concessions be used for the down payment, home repairs, new appliances, or for any other purpose than to pay for closing costs shown on the final loan documents.

### What do seller concessions cover?

Seller concessions can only be used for the buyer's closing costs. The specific items that can be paid for by the seller vary by loan type. But generally, seller concessions are allowed to cover:

- Loan origination fees
- Home inspection and appraisal fees
- Mortgage points (a.k.a. "discount points")
- Upfront mortgage insurance for FHA loans
- Upfront funding fees for VA and USDA loans

- Closing attorney fees
- Prepaid property taxes
- Title insurance
- Recording fees

**Are seller concessions a good idea?**

Seller concessions are a great way to save money at the closing table and maximize your down payment.

The biggest drawback is, you end up with a bigger loan amount than if you would have negotiated a lower home price instead of the seller concession.

You essentially financed your closing costs, and you'll pay interest on the closing costs over the life of your loan.

Another potential drawback is that asking for a concession could make your offer less competitive in a hot market.

But for many home buyers — especially first-time buyers who have a limited amount saved for the down payment and closing costs — seller concessions are well worth it.

| Loan Type | Down Payment | Max Seller Concession |
|---|---|---|
| Conventional | Up to 10% | 3% |
| | 10% to 25% | 6% |
| | More than 25% | 9% |
| FHA | Any | 6% |
| VA | Any | 4% |
| USDA | Any | 6% |
| Investment Property | Any | 2% |

### Maximum seller concessions by loan type

The amount a seller can contribute to your closing costs via a seller concession is limited. The limit varies by loan type.

Max seller concessions for the most common mortgage types are as follows:

Other rules to keep in mind when using a seller concession include:

- **The seller concession may NOT exceed the buyer's closing costs.** There is no cash-back allowed with seller concessions
- **The adjusted sales price (including the concession) needs to be supported by the home appraisal.** If the appraisal is too low, the seller concession may be rejected
- **For VA loans,** the seller concession may be allowed to exceed the 4% limit, since certain closing costs are not covered by that rule
- **For USDA loans**, the 6% seller concession limit is calculated using the buyer's loan amount rather than the sale price or appraised value

Seller contributions are allowed on jumbo loans, too. But limitations vary by bank.

### Seller concessions FAQ

## What are considered seller concessions?

A 'seller concession' refers to any arrangement where closing costs on a home purchase are paid by the seller rather than the buyer.

## What is the maximum seller concession on a conventional loan?

If your down payment is less than 10%, the maximum seller contribution is 3%. If your down payment is 10-25%, the seller can contribute up to 6% of the purchase price. And for down payments greater than 25%, the maximum seller concession is 9%.

### What is the maximum seller concession on an FHA loan?

If you're buying a home with an FHA loan, the maximum seller concession is 6%.

### How do you negotiate seller concessions?

You and your real estate agent will work with the home seller to negotiate seller concessions. You're more likely to get a concession if it's a buyers' market — meaning they've had a hard time selling the home. It can also be smart to limit your other requests (like home repairs) if you want the seller to agree to cover your closing costs.

### Can a seller refuse to pay closing costs?

Yes. A seller does not have to agree to concessions. If it's a sellers' market — where buyer competition is hot — a seller is more likely to agree to an offer without concessions than one with, because they'll make more money on the sale.

### Are seller concessions common?

Seller concessions are common these days. They're more common in buyers' markets than in sellers' markets. Seller concessions are also popular with first-time home buyers who might have limited savings for a down payment and closing costs.

### Can seller concessions exceed closing costs?

No. Seller concessions cannot exceed closing costs.

### What happens if closing costs are less than the seller agrees to pay?

This can sometimes happen. If your closing costs are lower than what the seller agreed to pay, see if there are other costs you can use the money to cover.

The best option is asking your lender to add discount points. Discount points are an extra closing cost that lowers your rate. So for example, if you're getting a $150,000 loan, and you have $1,500 in leftover seller concession, you could buy 1 discount point and lower your rate by .25%.

Other options: If you’re using a government-backed loan (FHA, VA, or USDA), you may be able to use the extra money to cover the upfront mortgage insurance or upfront funding fee.

Or, for any loan type, ask about costs like prepaid insurance, property taxes, and HOA dues. These can be heavily front-loaded, so a seller concession is a great way to lower your housing costs soon.