

Four Ways Buyers Benefit from Seller Paid Points

HERE'S A GREAT NEGOTIATING STRATEGY FOR A CHANGING MARKET

"Seller-paid points" are where the seller pays points to reduce the interest rate on your mortgage. One point = 1% of the loan amount paid upfront to your mortgage lender at the closing. This buys you a lower interest rate on your mortgage and a lower monthly payment. Here are four ways you can benefit from this strategy as a buyer:

1

MORE PURCHASING POWER.

Paying points to reduce your rate can have 2-3 times the impact on your purchasing power vs. reducing the purchase price by that same amount. For example:

- 2 points on a \$500,000 mortgage = \$10,000. You'd probably need to reduce your purchase price by \$20,000 - \$30,000 to have the same impact on your monthly payment.
- 2 points on a \$1,000,000 mortgage = \$20,000. You'd probably need to reduce your purchase price by \$40,000 - \$60,000 to have the same impact on your monthly payment.

2

LESS INTEREST COST OVER THE LIFE OF THE LOAN.

Your total savings over the life of the loan is likely to be significantly more with seller-paid points vs. a reduction in the purchase price. In fact, it could end up being 2-3 times the impact, depending on the specifics of your situation.

3

EASIER TO QUALIFY FOR A MORTGAGE.

Your interest rate, APR, and monthly payment would all be lower with seller-paid points vs. a reduction in the purchase price. This means that your debt ratio would also be lower and it would likely be easier for you to qualify for financing. Let me know if you'd like me to run some numbers and see if seller-paid points might make sense in your situation!

4

YOU AND THE SELLER BOTH GET A TAX BENEFIT.

Seller-paid points are tax-deductible to the buyer if the buyer itemizes their tax deductions. Meanwhile, sellers can deduct points paid on behalf of the buyer against their capital gain when they sell the property. The seller-paid points are considered a "cost of sale." Please see [IRS Publication 936](#) for more details.

QUICK TIP:

Contact me
for more info



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The best way to gain a competitive advantage in today's changing market is to work with the right mortgage professional to help you think through your options. Contact me so we can get started!

Source: **Momentifi**

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