

# Four Ways Sellers 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 the buyer's mortgage. One point = 1% of the loan amount paid upfront to the buyer's mortgage lender at the closing. This buys the buyer a lower interest rate on their mortgage and a lower monthly payment. Here are four ways you can benefit from this strategy as a seller:

1

## **YOUR HOUSE BECOMES MORE AFFORDABLE TO A WIDER POOL OF BUYERS.**

Paying points on behalf of the buyer can have 2-3 times the impact on the buyer's purchasing power vs. reducing your list price. That's because most buyers use mortgage financing. In other words, instead of reducing the list price, simply agree to buy down the buyer's interest rate. This increases the buyer's purchasing power and makes your house more affordable to a wider range of buyers who may have otherwise been priced out of the market.

2

## **YOU COULD SAVE MONEY VS. LOWERING YOUR LIST PRICE.**

You'd likely have to reduce your list price by 2-3 times the number of points paid to have the same impact on the buyer's monthly payment. For example:

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

3

## **YOU GAIN A COMPETITIVE ADVANTAGE OVER OTHER HOMES LISTED FOR SALE.**

For the reasons stated above, seller-paid points could give your deal a competitive advantage in today's changing market. This could save you the aggravation and financial loss of having to significantly reduce your list price to compete with other homes that may be listed for a lower price. Let me know if you'd like me to run some numbers to see the specific impact that seller-paid points might make in your situation!

4

## **YOU AND THE BUYER BOTH GET A TAX BENEFIT.**

Sellers can deduct points paid on behalf of the buyer against your capital gain when you sell the property. The seller-paid points are considered a "cost of sale." Meanwhile, seller-paid points are also tax-deductible to the buyer if the buyer itemizes their tax deductions. 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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