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OFFERPREP GUIDE · NEGOTIATING

Seller Concessions by Loan Type

What a seller can pay for, how much each loan program allows, and how to ask for concessions without hurting your offer.

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A seller concession is money the seller agrees to put toward *your* costs of buying. It can lower the cash you need at closing, or pay for points or a buydown. But every loan program caps concessions and limits what they can pay for. Knowing those rules before you write an offer keeps a good deal from getting cut back at closing.

01 What Concessions Are

Loan programs call them **interested party contributions**: money from someone who benefits from the sale. That usually means the seller, but it can also be the builder, developer, or a real estate agent. They show up as seller credits on your Loan Estimate and Closing Disclosure.

Not everything a seller pays counts

Fees a seller customarily pays under local law or custom (real estate commissions, for example) generally aren't counted as concessions under FHA, conventional, and USDA rules. VA uses its own definition (see section 03).

02 What Concessions Can and Can't Pay For

Generally can pay for	Generally can't pay for
Closing costs: lender fees, title, appraisal, attorney, recording	Your down payment or the minimum investment the program requires from you
Prepaids: property taxes, homeowners insurance, prepaid interest, initial escrow deposit	Cash back to you
Discount points (permanent rate buydown)	More than your actual eligible costs
Temporary buydown funds	Required reserves (conventional)
Some program fees, such as FHA upfront mortgage insurance or the VA funding fee	Personal debts (USDA), or furniture, cars, and other giveaways

> **Extra credit doesn't become cash**
>
> If a credit is larger than your actual costs, or larger than the program's limit, you don't get the difference. The credit is typically reduced at closing, or the program treats the excess as a price reduction, which can lower the amount you can borrow. Ask for what you can actually use.

03 Limits by Loan Type

These are the program maximums. Your lender may set stricter limits. **Checked October 17, 2026.**

Loan type	Maximum concessions	Notes
FHA	6% of the sales price	The 6% includes discount points, permanent and temporary buydowns, and upfront mortgage insurance. Anything over 6%, or over actual costs, is treated as an "inducement to purchase."
VA	4% of the home's reasonable value (the VA appraisal)	The 4% applies to defined concessions: the funding fee, prepaids, points above market-standard, temporary buydowns, paying off the buyer's debts, and gifts. Normal closing costs and market-standard points **don't count toward the 4%.**

Conventional (Fannie Mae): primary or second home	Over 90% LTV (under 10% down): **3%** 75.01–90% LTV: **6%** 75% LTV or less (25%+ down): **9%**	Based on the lower of the sales price or appraised value, not the loan amount. Can also cover HOA dues for up to 12 months after closing.
Conventional (Fannie Mae): investment property	**2%** at any LTV	
Conventional (Freddie Mac)	Same tiers: 3% / 6% / 9%; investment 2%	Calculated on "value" as Freddie Mac defines it.
USDA	6% of the sales price	Seller-paid repairs (held in escrow) and buyer agent commission aren't counted toward the 6%.

What LTV means here

Loan-to-value (LTV) is your loan amount divided by the home's value. Under 10% down means more than 90% LTV; 10% to under 25% down means 75.01–90%; 25% or more down means 75% or less. Your down payment can change which conventional tier you fall into.

04 How to Ask in Your Offer

1. Ask your lender first	Get your program's limit and an estimate of your total closing costs and prepaids, so you don't ask for more than you can use.
2. Write it into the contract	State a dollar amount (or a percentage of the price) the seller will pay toward your closing costs, prepaids, and points. In North Carolina, Form 2-T has a "Seller Concessions" line for this.
3. Weigh price vs. credit	A seller may accept a credit more readily than a price cut, or the other way around. Your agent can help you judge what will be competitive.
4. Send the contract to your lender	The lender checks the credit against program limits and your actual costs, and it appears on your Loan Estimate and Closing Disclosure.

05 How the Appraisal Affects It

A common strategy is to offer a higher price in exchange for a seller credit. That only works if **the home appraises** at the higher price. If the appraisal comes in low:

- Your loan is based on the lower value, so you may need more cash or a renegotiated price.

- For conventional loans, the concession limit is figured on the lower of price or appraised value, so the maximum credit can shrink too.
- For VA, the 4% is measured against the VA's reasonable value.

In North Carolina, Form 2-T has no appraisal contingency, so get the appraisal done during your due diligence period.

06 Using Concessions for Points or a Buydown

Instead of (or in addition to) covering closing costs, you can direct a seller credit to **discount points** (a lower rate for the life of the loan) or a **temporary buydown** (a lower payment for the first year or few years). How each one counts toward the cap differs by program:

	FHA	VA	Conventional	USDA
Cap	6% of price	4% of reasonable value	2–9% by LTV and occupancy	6% of price
Discount points	Count toward 6%	Market-standard points don't count; extra points do	Count toward the limit	Count toward 6%
Temporary buydown	Counts toward 6%	Counts toward 4%	Counts toward the limit	Ask your lender
Normal closing costs	Count toward 6%	Don't count toward 4%	Count, except customary seller-paid fees	Count toward 6%

To decide between closing-cost help, points, or a buydown, run a break-even and consider how long you'll keep the loan. The OfferPrep guide *Lender Credits vs. Discount Points* walks through it. With a temporary buydown, make sure you're comfortable with the full payment once it ends. VA lenders must qualify you on that full payment.

07 Checklist

- ☐ Confirm your loan type and expected down payment
- ☐ Ask your lender for your concession limit
- ☐ Get an estimate of total closing costs and prepaids
- ☐ Decide: closing costs, points, buydown, or a mix
- ☐ Write the credit amount clearly into the offer
- ☐ Get the appraisal ordered early
- ☐ Check seller credits on your Loan Estimate and Closing Disclosure
- ☐ Re-check the limit if your down payment or price changes

08 FAQ

Can seller concessions cover my down payment?

Generally no. FHA and conventional rules don't allow concessions toward your required investment or down payment. They go toward closing costs, prepaids, and related items.

What if my closing costs end up lower than the credit?

You generally can't receive the extra as cash. The credit is usually reduced, so it's smart to ask for an amount you can realistically use.

Do concessions make my offer weaker?

Sometimes. It depends on the market and the seller. Some sellers compare offers by their net proceeds. Your agent can help you structure an offer that stays competitive.

Does my lender's credit count as a seller concession?

Usually not. Lender credits from pricing generally don't count toward the limits, as long as the lender isn't the seller or another interested party.

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Limits checked October 17, 2026 against HUD Handbook 4000.1 (Interested Party Contributions), VA guidance (VA Pamphlet 26-7, Ch. 8 seller concessions; VA Home Loans temporary buydown and loan fee pages), Fannie Mae Selling Guide B3-4.1-02, Freddie Mac Seller/Servicer Guide (financing concessions), and USDA HB-1-3555 Ch. 6 and 7 CFR 3555. Program rules change and lenders may apply stricter limits. This guide is for informational purposes only and is not financial or legal advice. Confirm current limits with your lender.

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