Bank Statements Only – No Tax Returns Required!

Sellers know their bottom-line sales price. But sometimes it pays to incentivize a motivated Buyer – especially if the Buyer has limited liquidity to cover their down payment, closing costs and reserves.

If a Buyer makes an offer contingent on financing AND predicated on the Seller paying for all or a portion of closing costs (i.e., concessions), then the Seller may wait for a better offer. However, if the Buyer's offer is silent on concessions, the contract may progress to a stage where the Buyer may consider sweetening the purchase price – in exchange for dollar-for-dollar concessions at closing.

A few issues to consider when Seller concessions are involved:

- The property may not appraise at the increased purchase price
- The loan amount is likely to increase, thereby potentially making it more difficult for the Buyer to qualify for the mortgage
- The higher capital gain may have adverse Seller tax ramifications

Lenders refer to Seller Concessions as **Interested Party Contributions (IPC's)**. IPC's are generally the responsibility of the Buyer – but paid for by the Seller, and are either **"Financing Concessions"** (e.g., mortgage closing costs) or **"Sales Concessions"**. Financing Concessions are expressed as a percentage of the lesser of the appraised value or purchase price, and any costs covered by the Seller that exceed the Financing Concession limits (per the chart below) are deemed Sales Concessions.

PROPERTY	LOAN-TO-VALUE (LTV)	MAXIMUM FINANCING CONCESSION
Primary Residence or 2nd Home	>90%	3%
	75-90%	6%
	≤75%	9%
Investment Property	All	2%

Note that lenders deduct all Sales Concessions from the sales price when calculating LTV for underwriting purposes. Therefore, excessive IPC’s could limit the amount of Buyer loan proceeds.

Here’s the Point: ***Lenders impose limits on certain Seller Concessions (IPC’s), which, if exceeded, may provide pre-qualification challenges for Buyers.***