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Seller Concessions: A Quick Reference

How a concession differs from a price change, and the cap questions to ask before an offer is written.



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Last reviewed November 10, 2026

Two different tools

A **seller concession** (an interested-party contribution) is typically a credit toward a buyer's eligible closing costs or prepaid items. A **price reduction** changes the contract price, which can change loan amount, transfer tax, and appraisal comparisons. They are not interchangeable, and they are not a promise that an offer will be accepted or that a listing will move on a particular timetable.

Questions to confirm with the loan officer

- Which program is this buyer actually using?
- What concession cap applies on this file, and what costs are eligible?
- Would a price change serve the file better than a credit, or the reverse?
- Does the appraisal, the contract, and the Closing Disclosure need to tell the same story?

Common published frameworks (confirm current rules)

- **VA.** Seller concessions are generally limited to four percent of the reasonable value of the property, and that framework excludes normal closing costs and market-appropriate discount points. Source: VA Lender's Handbook, Chapter 8.
- **FHA.** Interested-party contributions are generally limited to six percent of the sales price. Source: HUD Handbook 4000.1.
- **Conventional.** Financing concessions often follow a 3 / 6 / 9 framework by occupancy and loan-to-value, with a lower cap on many investment properties. Source: Fannie Mae Selling Guide B3-4.1-02. Confirm the current guide for the file.

Offer-writing habits

- Write the concession as a credit toward eligible costs, not as a vague "seller to help."
- Do not assume unused concession room can be converted to cash back.
- If the listing already offers a credit, confirm it still fits the buyer's program before congratulating anyone.
- A concession is not a rate quote and is not a payment illustration.

This sheet does not price a concession or a buydown. Ask the loan officer to run the file. Educational only; not a commitment to lend.

A longer guide, with a comparison tool, is at shaneyourmortgageguy.com/realtor-partners/seller-concessions/ (staging preview on the current site).



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