



THE STEEL CITY AGENT

Amanda Tihey | Keller Williams Exclusive



BUYER & SELLER STRATEGIES

Seller Concessions

Seller Assist, Closing Cost Credits, Rate Buydowns — and When Each One Actually Makes Sense

In a shifting market, seller concessions have quietly become one of the most powerful tools at the negotiating table. Buyers use them to reduce upfront costs or lock in a lower rate. Sellers use them to move homes without cutting list price. When structured correctly, they can be a win for both sides — and when used carelessly, they can cost far more than they appear to save.

This guide explains seller concessions in plain language: what seller assist covers, how rate buydowns work, the limits lenders impose, and how to evaluate whether a concession actually benefits you — or just makes the deal look better on paper.



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Concessions done right
are deals done right.

What Are Seller Concessions?

A seller concession is money the seller agrees to pay toward the buyer's costs at closing. It's not a price cut — it's a structural adjustment to who pays what when the deal closes.

How They Work

Rather than reducing the purchase price, the seller agrees to contribute a specific dollar amount — or percentage of the sale price — toward the buyer's closing costs, prepaid items, or loan discount points. The money flows through at the closing table: it shows up as a credit on the settlement statement and reduces what the buyer needs to bring in cash.

The sale price stays the same. The seller nets less. The buyer brings less cash. That's the basic mechanic.

Why Sellers Offer Them

In a buyer's market — or with a property sitting longer than expected — a concession can get the deal done without the seller publicly lowering their list price. It's a negotiated private arrangement: the home "sold for" the list price, but the seller effectively gave money back at the table.

Sellers also offer concessions preemptively when they know their home has deferred maintenance, a dated kitchen, or other features that will make buyers hesitate. A credit can prevent the inspection renegotiation conversation entirely.

What Seller Concessions Can Pay For

CLOSING COSTS

- Lender origination fees
- Title insurance (buyer's policy)
- Title search and examination fees
- Settlement/closing agent fees
- Recording fees
- Transfer taxes (buyer's share)
- Attorney fees where applicable

PREPAID ITEMS

- Homeowner's insurance premium (first year)
- Property tax escrow (2–6 months)
- Mortgage interest (prepaid at closing)
- HOA dues (if applicable)
- Flood insurance (if required)

RATE BUYDOWN COSTS

- Temporary buydown (2-1, 1-0) — seller funds the subsidy account
- Permanent buydown — seller pays discount points to lower the rate for the life of the loan
- Combination: partial buydown + partial closing costs

WHAT THEY CANNOT COVER

- The buyer's down payment (lenders prohibit this)
- Earnest money deposit
- Home inspection fees (typically paid before closing)
- Moving costs
- Anything outside the HUD/closing disclosure

Lender Limits on Concessions — This Is Critical

Lenders cap how much a seller can contribute based on loan type and down payment. Offering more than the cap doesn't help the buyer — the excess is simply disallowed, and sometimes it creates appraisal complications if the purchase price was inflated to accommodate a concession that exceeded limits.

Conventional

Down payment < 10%:
max 3%

Down payment 10–25%:
max 6%

Down payment > 25%:
max 9%

FHA

Maximum 6% of purchase price — regardless of down payment. FHA is often the most flexible for buyers with limited cash.

VA

Maximum 4% for "concessions" (non-allowable fees). Sellers can also pay all VA allowable closing costs with no cap — making VA loans extremely concession-friendly.

USDA

Maximum 6% of purchase price. USDA's 0% down requirement makes seller concessions especially valuable for qualifying buyers.

Seller Assist for Closing Costs

This is the most common form of seller concession. The seller pays a defined amount toward the buyer's closing costs, reducing the cash the buyer needs to bring to the table — without changing the purchase price.

A Real Example: How This Plays Out

WITHOUT SELLER ASSIST

Purchase Price	\$280,000
Down Payment (5%)	\$14,000
Closing Costs (~3%)	\$8,400
Prepays (est.)	\$3,200
Total Cash to Close	\$25,600

WITH \$8,000 SELLER ASSIST

Purchase Price	\$280,000
Down Payment (5%)	\$14,000
Closing Costs (~3%)	\$8,400
Prepays (est.)	\$3,200
Seller Credit	-\$8,000
Total Cash to Close	\$17,600

Net result: The buyer brings \$8,000 less to closing. The seller nets \$8,000 less after the sale. The purchase price on record is still \$280,000 — which matters for comps and for the buyer's loan-to-value ratio.

FROM THE BUYER'S PERSPECTIVE

Preserves cash reserves

Instead of draining savings at closing, the buyer keeps reserves for moving costs, early repairs, and the inevitable 'we need a new water heater' moment.

Doesn't affect the mortgage amount

Seller assist doesn't reduce the loan amount — the buyer still borrows (and owns) 95% of \$280,000. The credit reduces cash needed, not the debt owed.

Can be requested in the offer

Buyers can write seller assist directly into the purchase offer. In a slower market, it's often expected. In competitive markets, it can cost you the home — read the room.

Subject to lender approval

The concession must fit within lender caps. Work with your lender before making the request so you know your limit.

When Buyers Should Request Closing Cost Assist

- ✓ Market has above-average inventory (30+ days average DOM)
- ✓ Home has been sitting or has had a prior price reduction
- ✓ You have strong down payment but limited reserves post-close
- ✓ You're using an FHA or USDA loan where more concession room exists
- ✓ The seller is highly motivated (relocation, estate, divorce, vacant home)

FROM THE SELLER'S PERSPECTIVE

Maintains the sale price on record

Unlike a price reduction, a seller assist doesn't show up as 'price cut' in MLS history. The home comps at \$280,000 — not at \$272,000. For neighborhood values, that matters.

Costs the same as a price reduction (approximately)

A \$5,000 seller assist and a \$5,000 price reduction both reduce seller net by roughly \$5,000. The psychological difference is real; the economic difference is minimal.

Can move a stalled listing

A home sitting 60+ days in a buyer's market can often be relaunched with a 'seller assists with closing costs' pitch rather than a transparent price drop.

Watch the appraisal

If the purchase price was inflated to accommodate a large concession, the appraisal can blow it up. The purchase price must be justifiable by comps regardless of how the money flows at closing.

When Sellers Should Consider Offering It

- ✓ Home needs updates but you don't want to reduce price
- ✓ Multiple showings, no offers — buyers are citing affordability
- ✓ Competing against new construction offering incentives
- ✓ Buyer is well-qualified but tight on cash to close
- ✓ You want to avoid an inspection-driven renegotiation by offering a credit upfront

Seller-Funded Rate Buydowns

Instead of applying seller concession money to closing costs, it can be used to buy down the buyer's interest rate — temporarily or permanently. In a high-rate environment, this can be a significantly more valuable use of the same dollars.

Two Types of Rate Buydowns

Temporary Buydown

Common structure: 2-1 Buydown

The seller deposits a lump sum into a buydown subsidy account at closing. The lender draws from this account each month to subsidize the buyer's payment for the first one or two years, after which the payment normalizes at the actual note rate.

2-1 BUYDOWN EXAMPLE @ 7.25% NOTE RATE — \$280,000 LOAN

Year	Rate	Payment	Savings
Year 1	5.25%	\$1,547/mo	Savings: \$384/mo
Year 2	6.25%	\$1,724/mo	Savings: \$207/mo
Year 3+	7.25%	\$1,931/mo	Full rate resumes

Seller cost to fund a 2-1 buydown on a \$280k loan at 7.25%: approximately \$6,900. The buyer saves that amount across two years in reduced payments — and potentially refinances before Year 3 if rates fall.

Permanent Buydown

Discount points that reduce the rate for life of the loan

Each discount point costs 1% of the loan amount and typically reduces the interest rate by 0.25% (this varies by lender and market conditions). A permanent buydown lowers the rate for the entire loan term — but costs more upfront.

PERMANENT BUYDOWN — \$280,000 LOAN @ 7.25%

Points	Cost	Rate	Payment	Savings
0 points	—	7.25%	\$1,931/mo	—
1 point (\$2,800)	\$2,800	7.00%	\$1,864/mo	Saves \$67/mo
2 points (\$5,600)	\$5,600	6.75%	\$1,817/mo	Saves \$114/mo
3 points (\$8,400)	\$8,400	6.50%	\$1,770/mo	Saves \$161/mo

Break-even on 2 points (\$5,600): \$5,600 ÷ \$114/mo savings = ~49 months. If the buyer stays in the home and doesn't refinance for 4+ years, the permanent buydown pays off. If they refinance in 2 years, they paid for points they didn't fully use.

Other Buydown Structures Worth Knowing

1-0 Buydown

Rate is 1% below note rate for year 1 only, then normalizes. Lower cost to the seller than a 2-1. Often used when the seller wants to help but has limited concession budget.

3-2-1 Buydown

Rate subsidized 3% below in Year 1, 2% below in Year 2, 1% below in Year 3, then full rate. Aggressive and rarely used — seller cost is high, and buyers may be surprised when Year 4 arrives.

Combo: Buydown + Closing Costs

Split the concession: e.g., \$4,000 toward a 1-0 buydown and \$4,000 toward closing costs. Gives the buyer immediate monthly payment relief and reduces cash needed to close.

Buydowns Are Most Valuable When...

- ✓ Rates are elevated and expected to decline — the buyer gets payment relief now and may refinance later at a better rate
- ✓ The buyer is payment-sensitive but has adequate cash (payment matters more than cash at close)
- ✓ The buyer plans to stay in the home longer than the break-even period on permanent points
- ✓ The seller wants to differentiate their home in a market where new construction offers rate incentives

Buydowns Are Less Valuable When...

- ✗ Rates are already low — the payment difference from additional points is minimal and the cost is high
- ✗ The buyer plans to sell or refinance within 2–3 years (they won't recover the point cost)
- ✗ The buyer's main obstacle is the down payment, not the monthly payment — a closing cost credit serves them better
- ✗ The lender's buydown math is unfavorable — always model the actual numbers with your specific lender

Closing Cost Credit vs. Rate Buydown — Which is Better?

When a seller has a set concession budget, the buyer must decide how to allocate it. This chapter breaks down the real comparison and the decision framework for choosing.

Head-to-Head: \$8,000 Seller Concession

OPTION A: APPLY TO CLOSING COSTS	OPTION B: FUND A 2-1 BUYDOWN
<p>IMPACT ON MONTHLY PAYMENT</p> <p>None</p>	<p>IMPACT ON MONTHLY PAYMENT</p> <p>Year 1: -\$384/mo Year 2: -\$207/mo</p>
<p>CASH TO CLOSE REDUCTION</p> <p>\$8,000 less needed upfront</p>	<p>CASH TO CLOSE REDUCTION</p> <p>\$0 (all funds go to subsidy account)</p>
<p>BENEFIT DURATION</p> <p>Immediate, one-time</p>	<p>BENEFIT DURATION</p> <p>2 years of reduced payments</p>
<p>BREAK-EVEN PERIOD</p> <p>Immediate (no recovery needed)</p>	<p>BREAK-EVEN PERIOD</p> <p>Buyer saves ~\$7,000 across 2 years</p>
<p>USEFUL IF BUYER IS...</p> <p>Cash-constrained at closing</p>	<p>USEFUL IF BUYER IS...</p> <p>Payment-sensitive, expects to refi</p>
<p>RISK</p> <p>Buyer absorbs full market rate for life of loan</p>	<p>RISK</p> <p>Payment jumps in Year 3; rate may not fall</p>

The Decision Framework

<p>Do you have enough cash to close without the credit?</p>	<p>YES: → Consider a rate buydown instead. Your cash constraint isn't at closing — reducing your monthly payment over time may be more valuable.</p> <p>NO: → Take the closing cost credit. You need the cash now, and a buydown won't help you get to the table.</p>
<p>Do you expect to refinance within 2–3 years if rates fall?</p>	<p>YES: → A temporary (2-1) buydown may be ideal. You get payment relief during the high-rate period and refinance when rates drop, abandoning the higher note rate.</p> <p>NO: → Permanent points may be worth modeling. Calculate the break-even: cost ÷ monthly savings. If you'll be in the home past that, permanent points win.</p>
<p>Is your primary concern the monthly payment vs. cash needed?</p>	<p>YES: Payment-sensitive → Buydown. The monthly reduction keeps your DTI comfortable and your budget intact.</p> <p>NO: Cash-constrained → Closing cost credit. Reducing your out-of-pocket at the table is the priority.</p>
<p>Is the seller working within a tight concession budget?</p>	<p>YES: → A combo approach often works best: cover the most expensive closing cost items with part of the credit, and apply the remainder to a 1-0 buydown for Year 1 payment relief.</p> <p>NO: → Max out the concession type that serves the buyer's specific situation — don't split arbitrarily.</p>

Bonus: Seller Concession vs. Price Reduction — Are They Really the Same?

Economically, they're close — but not identical. A \$10,000 price reduction lowers the loan amount, which reduces the monthly payment slightly and reduces the total interest paid over 30 years. A \$10,000 seller concession does not reduce the loan amount — it reduces cash needed at closing.

\$10,000 Price Reduction on \$280k Purchase		\$10,000 Seller Concession on \$280k Purchase	
New loan amount (5% down)	\$256,500	Loan amount	\$266,000 (unchanged)
Monthly payment change (@7.25%)	~-\$43/mo	Monthly payment change	None
Cash to close change	~-\$500 (down payment)	Cash to close change	-\$10,000
Total interest savings (30yr)	~\$15,400	Total interest savings (30yr)	\$0

Bottom line: If you're a buyer who can qualify and has adequate cash, a price reduction is slightly more valuable long-term. If you're cash-constrained, the concession is more valuable short-term. Neither is universally better — it depends entirely on where your constraint lies.

A NOTE ON STRATEGY

"In the Pittsburgh market, I've seen buyers leave \$8,000 in seller assist on the table because they didn't know to ask for it — and I've seen sellers offer it in the wrong form for the wrong buyer. The concession structure should match the buyer's actual situation, not just be whatever the agent is comfortable proposing. This is a conversation we have before every offer I write."

— Amanda Tihey, The Steel City Agent

READY TO STRUCTURE YOUR OFFER OR LISTING THE RIGHT WAY?

Concessions Are a Tool.

Let's Make Sure You're Using Them Correctly.

Whether you're a seller deciding how to price your concession strategy, or a buyer determining the best way to allocate a seller's credit — this is exactly the kind of transaction math Amanda works through with every client before an offer goes in or a counter comes back.

Every buyer's situation is different. Every seller's leverage is different. The right concession structure isn't a formula — it's a conversation. Let's have it.

Reach Amanda



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How Amanda Helps With Concessions:

- ✓ Calculating the right concession request for your offer based on loan type and cash position
- ✓ Modeling temporary vs. permanent buydown scenarios with your actual lender numbers
- ✓ Advising sellers on whether to offer a credit, reduce price, or hold firm
- ✓ Structuring combo concessions (closing cost + buydown) for maximum buyer impact
- ✓ Negotiating concessions during inspection response — repairs vs. credit vs. price reduction
- ✓ Explaining what lender caps apply and making sure concessions are structured to actually work



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