

## Maximum Seller Contributions by Loan Type for Arizona Mortgages

I realize realtors have many items to consider when negotiating real estate contracts in our Arizona market. My goal of today's Arizona Mortgage Update is to give you a streamlined document you can reference that summarizes the maximum seller contribution allowed by loan type. Having this information **prior** to writing the Arizona purchase contract can save **thousands of dollars** in some cases!

Here's a real life example of how this information could have helped a realtor and his client.

- Purchase Price: \$105,000
- Investment property purchase- buyer was putting 25% down and using a conventional loan
- Purchase contract was negotiated with the seller contributing 3% (\$3150) toward the buyer's closings costs and prepaids. The maximum allowed is 2% (\$2100) on an investor loan~ see below.
- Buyer requested the seller (bank owned property) lower the purchase price by \$1050 to account for the difference that he could not use of the contribution. The seller would not agree to lower the price.
- The seller netted \$1050 more on this transaction due to the error.
- Buyer was upset and the realtor felt horrible. No one was happy except the seller.

The information in this update would have been helpful for the realtor to have prior to submitting the offer. Many Arizona agents aren't aware the maximum seller contribution toward closing costs and prepaids varies by down payment and occupancy on conforming conventional mortgages. Hopefully the following information will be helpful to you as you negotiate future transactions.

### Conforming Conventional Mortgage:

- 2% of the purchase price for a mortgage secured by an **investment property**
- 3% of the purchase price for a mortgage secured by a principal residence or second home if the Loan to Value ratio is **greater than 90%**
- 6% of the purchase price for a mortgage secured by a principal residence or second home if the Loan to Value ratio is in the **range from 76%-90%**
- 9% of the purchase price for a mortgage secured by a principal residence or second home if the Loan to Value ratio is **75% or less**

### Jumbo Mortgage:

- Contributions on jumbo loan financing will vary by program. Contact the buyer's lender for details.

### FHA Loan:

- Seller can contribute up to 6% toward closing costs and pre-paid items  
*HUD has proposed to decrease their current policy regarding seller concessions from 6% to 3%, however no date has been released on when this will take effect.*

### VA Loan:

- Seller can contribute 100% of the buyers "normal" closing costs and pre-paid items. The max seller contribution beyond "normal" closing costs is 4%. Keep in mind there are fees a buyer obtaining a VA loan cannot pay such as document preparation, underwriting, tax service, processing fees and escrow fee. Use Line 79 of the purchase contract to request the seller to pay the fees a VA buyer can not pay.

Feel free to contact me with any questions you have about seller contributions or any other Arizona Mortgage related question that has you stumped☺.

Enjoy the weekend ~

Kelly

**Quote of the week: Be daring, be different, be anything that will assert integrity of purpose and imaginative vision against the play-it-safers.... ~ Cecil Beaton**

**Kelly L. Zitlow, CMPS®**  
 Branch Manager  
 Licensed Mortgage Professional  
 NMLS # 164330

Direct: 480-398-4908  
 E-Fax: 480-240-5324  
 Email: [kzitlow@ccmlending.com](mailto:kzitlow@ccmlending.com)  
 Website: [www.kellyzitlow.com](http://www.kellyzitlow.com)

EQUAL HOUSING LENDER AZ BK #0904024

Tara Bradley  
 Transaction Coordinator  
 NMLS # 203298  
 Direct 480-398-4903  
[tbradley@ccmlending.com](mailto:tbradley@ccmlending.com)

Karen Hunt  
 Sr. Loan Processor  
 Direct 480-398-4902  
[khunt@ccmlending.com](mailto:khunt@ccmlending.com)