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# What Is a Seller Concession, And Why Not Just Lower the Purchase Price?

It is increasingly common for sales contracts to specify that the seller shall pay much or all of the closing costs which are actually the responsibility of the buyer. These charges are referred to as "seller concessions" and are recorded as such on the MLS.

I had just such a closing this week. The buyer paid \$253,000 for the house, but the contract required the seller to pay \$5,000 of the buyer's closing

costs, including loan closing costs.

From the seller's perspective, the house sold for \$248,000, but there was a good reason that the sales price was increased to accommodate a \$5,000 concession. By doing so, the buyer was able to borrow based on the \$253,000 purchase price, folding all of her closing costs into the mortgage instead for bringing additional

money to the closing. The process requires that the home appraise for \$253,000 instead of the net price of \$248,000, and that can sometimes be a problem in today's stricter appraisal environment.

Recently I had a closing where the appraisal came in \$2,000 below the sales price, but above the net price, and the buyer's agent made noises about reducing the price, but I simply (and quickly) said "no," and the deal closed without any changes except in the amount of money the buyer had to bring to closing.

Appraisers, like real estate agents, have access to the MLS and know about such concessions so that they can adjust the value of the home when using it as a comp. The county assessor and services like Zillow.com do not know about

concessions, so their interpretation of sales prices is skewed upward in some cases — something to keep in mind when looking at those information sources.

If you're a seller, your listing contract states that your commission is paid on the "gross sales price" of the home, meaning that you could pay a commission on the amount of the concession, which would be grossly unfair to you. Make sure that your agent and the buyer's agent both agree to get paid based on the net price instead of the gross price in spite of the what your listing agreement states. Most agents will agree with me that the additional couple hundred dollars of income is not worth the bad taste it leaves in the client's mouth. Your agent should proactively tell you that the commission will be reduced instead of waiting for you to ask about it.

## REAL ESTATE TODAY



By JIM SMITH, Realtor®

## This Week's Featured New Listing:

### Mountain Ridge Home Backs to Open Space

Here is a 4,297-sq.-ft. home with five upstairs bedrooms in Golden's premier subdivision, backing to open space. It's a short walk to the trailhead as well as to a city park with playground, and just a mile from downtown Golden. It has a 5-car garage, a home theatre with drop-down screen, a main-floor study, a master suite with two walk-in closets and deck overlooking the backyard, granite counters, hardwood floors, maple cabinets, 4 fireplaces... the list goes on and on! Open the door to your deck and fall asleep to the sound of a water feature. All this in one of the best neighborhoods Golden has to offer! Take a video tour at this home's website (above) and call for a showing! **Open this Sunday, 1-4 pm.**



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