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 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. 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.