



REASONS WHY HOMEBUYERS SHOULD CONSIDER SELLER PAID-POINTS

"Seller-paid points" are where the seller pays points to reduce the interest rate on your mortgage. Consider a home where the list price is \$300,000 and the seller is willing to accept a bottom line of \$291,000. If the seller reduces the price by \$9,000, you would be able to purchase the home for \$291,000. Both you and the seller would be happy. However, what if you purchase the home for \$300,000 and ask the seller to contribute \$9,000 toward your closing costs? The seller still walks away with his/her bottom line of \$291,000. However, there are three extra benefits to you in this scenario:

#1 - LOWER INTEREST RATE AND LOWER MONTHLY PAYMENT

Your mortgage interest rate would likely be 0.5% - 0.75% lower if the seller pays 2 or 3 points on your behalf. This means that your monthly payment will likely be lower as well. This is true even though your mortgage balance would be slightly higher, and based on a \$300,000 purchase price vs. \$291,000 purchase price.

#2 - LESS INTEREST COST OVER THE LIFE OF THE LOAN

Your total savings over the life of the loan is likely to be significantly more with seller-paid points vs. a reduction in purchase price. In our example, if you purchase the home for \$291,000, you would save \$9,000 vs. the list price. However, if you purchase the home for \$300,000, with \$9,000 in seller-paid points, your total savings over 30 years would be approx. \$27,000. This is three times as much impact for you!

#3 - EASIER TO QUALIFY FOR A MORTGAGE

Your interest rate, your APR, and your monthly payment would all be lower with seller-paid points vs. a reduction in purchase price. This means that your debt ratio would also be lower and it would likely be easier for you to qualify for financing.

So there you have it! Let me know if you'd like for me to run some numbers and see if seller-paid points might make sense in your situation.

Source: CMPS Institute

