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ASKING THE SELLER TO PAY CLOSING COSTS - Rules and Advice.

It has become common to ask the seller to pay some or all of the closing costs when you purchase a home. Essentially, this is financing your closing costs since you will probably pay a little bit more more for the property than you would if you were paying your own costs.

Keep in mind a few simple rules. On conventional loans you can only ask the seller to pay non-recurring costs, not pre-paid or items to be paid in advance. If you are putting ten percent down or more, the most the seller can contribute is six percent of the purchase price. If you are putting less down, the most the seller can contribute is three percent.

On VA loans, you can ask the seller to pay everything. This is called a "VA No-No," meaning the buyer is making no down payment and paying no closing costs. It is wise for the seller to put a ceiling on the amount they will pay, just to make sure no one gets carried away.

On FHA loans, you can also ask the seller to pay everything. However, the buyer must have a minimum three percent investment in the property, whether that is applied toward down payment, closing costs, or pre-paid. The three percent can be from their own pocket or a gift from a family member.