

**Interested Party Contribution Rules:
FHA/VA/USDA/Conventional**

	Fannie & Freddie	FHA	VA	USDA
How is it identified in the guidelines?	"IPC" Interested Party Contributions	Inducement to Purchase	Valuing Options - VA Lender Handbook Ch. 11, 11-c	Seller or Sales Concession
What is acceptable?	There is no clear definition of specific items for Fannie and Freddie. Generally accepted are those accepted and defined by FHA.	(1) Personal Property (TOTAL) Replacement of existing Personal Property items listed below are not considered inducement to purchase, provided the replacement is made prior to settlement and no cash allowance is given to the Borrower. The inclusion of the items below in the sales agreement is also not considered an inducement to purchase if inclusion of the item is customary for the area: <ul style="list-style-type: none"> • range • refrigerator • dishwasher • washer • dryer • carpeting • window treatment • other items determined appropriate by the HOC 	Same as FHA, provided the items are included in the base price of the house.	Generally, follow FHA. USDA further states that, when purchasing a home, if the seller or other interested third party contributes more than 6 percent, unless otherwise provided by the Agency, of the property's sales price toward the purchaser's mortgage financing costs, closing costs, escrow accounts, furniture or other giveaways.

	Fannie & Freddie	FHA	VA	USDA
Items that may affect maximum mortgage	<p>Down Payment Assistance Programs IPC funds that flow through a DAP may be used for allowable closing costs and prepaids in compliance with Fannie Mae's IPC limits.</p> <p>Financing Concessions Financing concessions that are paid on the borrower's behalf are subject to Fannie Mae's IPC limits. Financing concessions are:</p> <ul style="list-style-type: none"> • financial contributions from interested parties that provide a benefit to the borrower in the financing transaction; • payments or credits related to acquiring the property; and • payments or credits for financing terms, including prepaids. <p>Typical fees and/or closing costs paid by a seller in accordance with local custom, known as common and customary fees or costs, are not subject to Fannie Mae IPC limits. Financing concessions that exceed the limits listed below are considered sales concessions and are subject to Fannie Mae IPC limits.</p>	<p>(H) Inducements to Purchase (TOTAL) Include, but are not limited to:</p> <ul style="list-style-type: none"> • contributions exceeding 6 percent of the purchase price; • contributions exceeding the origination fees, other closing costs and discount points; • decorating allowances; • repair allowances; • excess rent credit; • moving costs; • paying off consumer debt; • personal property; • sales commission on the Borrower's present residence; and • below-market rent, except for Borrowers who meet the Identity-of-Interest exception for family members. 	<p>Personal-type items (such as, blenders, fireplace equipment, furniture, drapes, rugs, etc.) cannot be included in the VA valuation.</p> <p>VA value estimates for options must be:</p> <ul style="list-style-type: none"> • based on real estate market data (the contribution to the home's basic value, based on sales of properties with such options). • applied uniformly and should not vary considerably from one subdivision to another in the same real estate market. <p>VA will consider requests to increase the established value of options and make appropriate changes if warranted by sufficient and valid market data.</p> <p>Note: Cost handbook data can only be used to supplement insufficient market data.</p>	<p>USDA also says that "Sales concessions influence the price paid for real estate." While not specifically stated in the regulations, you can't simply declare 'no value' on personal property and have it disregarded.</p>

	Fannie & Freddie
Items that may affect maximum mortgage - <i>Continued for Fannie & Freddie</i>	<p>Financing concessions typically include origination fees, discount points, commitment fees, appraisal costs, transfer taxes, stamps, attorneys' fees, survey charges, title insurance premiums or charges, real estate tax service fees, and funds to subsidize a temporary or permanent interest rate buydown (if these fees are not considered common and customary fees or costs based on local custom, as described above). Financing concessions can also include prepaid items, such as:</p> <ul style="list-style-type: none"> • interest charges (limited to no more than 30 days of interest); • real estate taxes covering any period after the settlement date (only if the taxes are being impounded by the servicer for future payment); • property insurance premiums (limited to no more than 14 months); • homeowner association (HOA) assessments covering any period after the settlement date (limited to no more than 12 months); • initial and/or renewal mortgage insurance premiums; and • escrow accruals required for renewal of borrower purchased mortgage insurance coverage. <p>Sales Concessions Sales concessions are IPCs that take the form of non-realty items. They include cash, furniture, automobiles, decorator allowances, moving costs, and other giveaways, as well as financing concessions that exceed Fannie Mae limits.</p>

Agency	Fannie & Freddie	FHA	VA	USDA
How maximum mortgage is affected	<p>For Down Payment Assistance and Financing Concessions, check Fannie or Freddie IPC limits.</p> <p>For Sales Concessions, the value of the sales concessions must be deducted from the sales price when calculating LTV and combined LTV ratios for underwriting and eligibility purposes.</p>	<p>Inducements to Purchase refer to certain expenses paid by the seller and/or another Interested Party on behalf of the Borrower and result in a dollar-for-dollar reduction to the purchase price when computing the Adjusted Value of the Property before applying the appropriate Loan-to-Value (LTV) percentage.</p>	<p>Dependent on the item of value and how it is determined by VA.</p>	<p>Concessions above 6% are not allowed.</p>