Section 1.13 – Interested Party Contributions Limits Standard

In This Section This section contains the following topics.

Interested Party Contributions Limits

Overview

- Interested party contributions are costs that are normally the responsibility of the purchaser that are paid directly or indirectly by someone else who has a financial interest in or can influence the terms and the sale of the subject property.
- Interested parties may include the property seller, the builder/developer, real estate agent or broker.
- Interested party contributions usually entice the borrower to purchase the property and may be used to artificially inflate or maintain the sales price.
- The calculation to determine the maximum allowable interested party contribution is based on the lesser of the sales price or appraised value of the subject property.

  Notes:
  - The calculation to determine the maximum allowable interested party contribution must take place outside of DU.
  - Please refer to the VA product description for specific interested party contribution calculation requirements.

- These standards outlined in this document apply to all Truist non-Agency (traditionally underwritten and AUS processed) loan programs, to include conforming and non-conforming loan amounts, except as outlined below:
  - The VA loan program **has** specific seller contribution sections that must also be followed, in addition to these standards provided.

References:

- See the "Interested Party Contributions (IPCs) topic outlined in Section 2.01 Agency Loan Standard of the *Correspondent Seller Guide* for Agency standards.
- See Section 2.23: Veterans Administration Loan Standard of the *Correspondent Seller Guide* for specific requirements on interested party contributions for government loans.
- See "Interested Party Contributions on the Settlement Statement," "Interested Party Contributions (TOTAL)," and "Interested Party Contributions (Manual)" in FHA Handbook 4000.1, for specific requirements on interested party contributions for FHA loans.
- See the "Interested Party Contributions" topic outlined in RD Handbook 3555-1 for specific requirements on interested party contributions for RD loans.

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Related Bulletins

Related bulletins are provided below in PDF format. To view the list of published bulletins, select the applicable year below.

- 2022
- 2020

Note: There were no related bulletins published in 2021.

Seller Contributions

- Seller contributions are fees and/or closing costs paid on the borrower's behalf and are subject to limits. Fees and/or closing costs that are typically paid by the seller known as common and customary fees or costs are not subject to these limits.
- Seller contributions may not be used to meet the borrower's down payment or minimum borrower contribution requirements, or to meet reserve requirements for the transaction.
- Seller contributions in excess of the limits as identified in the product description will be considered sales concessions and must be deducted from the sales price dollar-for-dollar when calculating the LTV and TLTV, unless specifically allowed to be excluded by Truist product standards.
- The sales price should not be changed on the sales contract and should remain at the agreed upon sales price when excessive seller contributions are involved. It is acceptable to amend the sales contract.

  References:
  - See the topic *Examples for Calculating Maximum Loan Amount with Personal Property and/or Sales Concessions* subsequently presented for additional information.
  - See the applicable product standards for details on maximum contribution limits. Fees and charges that are considered concessions versus contributions may vary per product.

- Seller contributions may consist of the following and are subject to contribution limits:
  - origination fee,
  - discount points,
  - commitment fees,
  - appraisal costs,
  - credit report,
  - application fee,
  - funds to subsidize a temporary or permanent interest rate buydown,
  - prepaid fees,
    - up to 30 days of interest,
    - real estate taxes and escrow,

    Note: Credit by the seller for taxes paid in arrears is not considered a seller contribution.

  - hazard insurance premiums including no more than 14 months escrow accruals,
  - initial and/or renewal mortgage insurance premiums and escrow for borrower purchased mortgage insurance coverage,
  - homeowner association (HOA) dues covering any period after the settlement date (limited to no more than 12 months,)
  - real estate tax service fee

  Reference: Please review the applicable product standards for acceptable prepaid items.

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Seller Contributions, (continued)

- As noted previously, if the seller pays the following fees and market conditions are such that property sellers pay such fees in all transactions, they are NOT subject to contribution limits:
  - transfer taxes,
  - tax stamps,
  - attorneys fees,
  - recording fees,
  - survey charges, and
  - title insurance policy premiums or charges.

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Personal Property

- The value of personal property (i.e., furniture, decorator items, automobiles or other "giveaways") must be deducted from the property's purchase price regardless of the amount of any other contributions.

  Reference: See the topic *Example for Calculating Maximum Loan Amount with Personal Property and/or Sales Concessions* subsequently presented for additional information.

- Certain types of personal property may convey with the sale of the subject property. Most built-in appliances (such as stoves, refrigerators or dishwashers), window treatments/coverings, carpeting, or other custom-made items that are affixed to/convey with the property, are considered to be fixtures and no downward adjustment to the purchase price is required
- Personal property items may be left for convenience (i.e., pool cleaning equipment or covers, lawn mowers, picnic tables and/or patio sets). If the personal property is less than 2% of the value of the subject property or has a value of less than $500, it is not considered a contribution.
- The sales price should not be changed on the sales contract and should remain at the agreed upon sales price when personal property is involved. It is acceptable to amend the sales contract.
- Any personal property conveying from the seller to the purchaser should be notated on the appraisal by the appraiser.
- The aggregate value of any personal property may be established by the appraiser. If the appraiser does not include the value of the personal property on the appraisal or is unwilling to provide a value, or determines that the personal property is of no value, an Underwriter must determine the reasonableness of assigning no value to the personal property.

  Note: If the appraisal report contains photographs of the personal property being conveyed, those photographs may assist the Underwriter in determining the value of the personal property; however, photographs of the personal property are not required to be included in the appraisal.

Reference: See Section 2.22: FHA 203(b) Loan Standard and Section 2.23: Veterans Administration Loan Standard of the *Correspondent Seller Guide* for specific requirements on personal property for government loans.

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Sales Concessions

- Sales concessions are non-realty items and must be deducted from the sale price dollar-for-dollar for the purposes of calculating LTV/TLTV unless specifically allowed to be excluded by Truist product standards.
- The sales price should not be changed on the sales contract and should remain at the agreed upon sales price when sales concessions are involved. It is acceptable to amend the sales contract.
- Certain seller concessions are often given to buyers outside of closing, such as moving expenses, payment of various fees on the buyer's behalf, "silent" second mortgages held by the property seller, P&I abatements (see section on payment abatements subsequently published in this section), and other contributions not listed on the Settlement Statement. These are considered undisclosed contributions and are not eligible.
- Sales concessions include, but are not limited to:
  - cash,
  - furniture, or any personal property being conveyed, that is not considered a fixture,
  - automobiles,
  - decorator allowances,
  - moving costs,
  - vacations,
  - country club memberships,
  - golf packages,
  - "giveaways",
  - gift cards,
  - job loss insurance, and

    Note: For job loss insurance, FHA and VA do not require a dollar-for-dollar reduction from the sales price when calculating the LTV and TLTV ratios.

  - short sale processing fees (i.e., short sale negotiation fees, buyer discount fees, short sale buyer fees) paid by the borrower and reimbursed by an interested party to the transaction.

    Note: The short sale processing fee (i.e., short sale negotiation fees, buyer discount fees, short sale buyer fees) is not a common and customary charge to the borrower. If an interested party to the transaction reimburses the borrower any portion of this fee, treat the fee as a sales concession.

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Payment Abatement

- Principal and Interest (P&I) abatements by an interested party to pay for or reimburse the borrower for principal, interest, taxes and insurance are ineligible, regardless of whether they are disclosed on the Settlement Statement, (exceptions to this standard are the FHA/VA's Ease-In Buydown program.
- Additionally, this standard applies to transactions in which an interested party is directly funding the P&I abatement and/or if the funding for the P&I abatement is flowing through another entity such as a non-profit down payment assistance program (DPA).

Note: Down payment assistance programs are not allowed to pay for principal and interest abatement.

Excessive Real Estate Commission

- The aggregate of sales incentives such as real estate commissions, bonuses, and/or finder's fees as disclosed in the sales contract and/or on the Settlement Statement, is limited to eight percent (8.00%) of the property's sales price.
- All excessive sales incentives [those greater than eight percent (8%)] must be subtracted from the sales price dollar-for-dollar when calculating the LTV and TLTV.

Calculation of Excessive Seller Contributions

- The Settlement Statement must reflect the final fees and costs, and may not differ substantially from the sales contract, Loan Estimate, and Form 1003. All seller disbursements should be evaluated for reasonableness with local practice and in comparison to the size of the transaction.
- The underwriter must make a downward adjustment dollar-for-dollar to the sales price of the property to reflect the amount of any contributions that exceed limitations for the purpose of calculating the LTV/TLTV.
- The maximum LTV/TLTV ratios must then be calculated using the lesser of the reduced sales price or appraised value.
- All DU loans submitted to Truist must reflect zero in the new interested party contribution field and underwriters will manually calculate the limits.
- It is required that appraisers be provided with both seller contributions and sales concessions for the subject property that will be, or have been, granted by any interested party. Positive adjustments for seller contributions or sales concessions are not acceptable.

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Example for Calculating Maximum Loan Amount with Personal Property and/or Sales Concessions

EXAMPLE:
Borrowers are purchasing a primary residence using a conforming Agency loan. The maximum LTV for the loan transaction is 95%.

The sales price on the sales contract is $150,000.00.
There is personal property and/or sales concessions totaling $5,000.00 noted in the contract.

Step One	Subtract $5,000.00 from the sales price of $150,000.00:$150,000.00 - $5,000.00= $145,000.00
Step Two	Multiply $145,000.00 by 95% (The maximum LTV allowed for this loan transaction): $145,000.00 x 95%= $137,750.00
Step Three	Divide the new loan amount by the existing sales price (to determine the new adjusted LTV): $137,750 / $150,000 = 92% LTV 92% is the LTV that will be used to obtain MI coverage and the LTV that will be used for pricing and underwriting purposes.
Results	Notate the calculations used on the AUS feedback (or 1008 for non-AUS loans) so that the document clearly reflects the personal property and/or sales concessions were taken into consideration when calculating the loan amount.