

HUD Files Rule Banning Seller Payment of Assessments at Closing

The U.S. Department of Housing and Urban Development has acted to ban the practice of sellers agreeing to pay a set amount of association assessments for a buyer when closing on a FHA-insured mortgage. The ban is included in a proposed rule limiting concessions sellers may offer buyers to complete a sale.

In announcing the rule, HUD emphasized the need to limit risks to the FHA from borrowers whose homeownership costs have been paid by another party. The proposed rule explains that HUD's views on seller concessions such as paying for up to a year's worth of association assessments have changed. The Department now views these payments as inducements for a buyer to purchase a home, which increases risk of borrower default. By limiting the amount of seller concessions at closing, HUD is seeking to ensure that only those borrowers with a demonstrated ability to pay closing costs and repay all mortgage obligations qualify for FHA-insured mortgages.

HUD has established a 30-day public review and comment period for the proposed seller concession rule, which may be [viewed here](#).