

# Temporary Buydowns

## How they work with NewRez



### What is a Buydown?

A buydown is a mortgage option where the payment is reduced temporarily as if the rate was "bought" down for the first 1-3 years of the loan. With a buydown, homebuyers are able to purchase their homes with lower monthly mortgage payments to start.

### Buydown Types

**1-0** Year 1: Interest rate is reduced by 1%  
Year 2 and Forward: Note rate applies

**1-1** Year 1 & 2: Interest is reduced by 1%  
Year 3 and forward: Note rate applies

**2-1** Year 1: Interest rate is reduced by 2%  
Year 2: Interest rate is reduced by 1%  
Year 3 and forward: Note rate applies

**3-2-1** Year 1: Interest rate is reduced by 3%  
Year 2: Interest rate is reduced by 2%  
Year 3: Interest rates is reduced by 1%  
Year 4 and forward: Note rate applies

Example: \$100,000 Loan - 2/1 Buydown - 5% Interest Rate - \$537 Payment				
Year	Interest Rate	Pymt	Monthly Difference	Annual Difference
1	3% (5% - 2%)	\$422	\$537 - \$422 = \$115	\$1,380
2	4% (5% - 1%)	\$477	\$537 - \$477 = \$60	\$720
3-30	5% (No buydown)	\$537	\$0	\$0
Amount Req'd at Closing				\$2,100

### General Information

#### Loan Types:

- Conventional and VA up to 3/2/1 buydown allowed
- FHA and USDA up to 2/1 buydown allowed
- Fixed Rate Products Only
- Purchase Transactions Only
- 1-4 Units
- Minimum FICO 660
- Primary Residence & Second Home
- Manufactured homes ineligible

#### Other Requirements

- Contributor can be seller, lender, borrower or other interested party - Conforming and FHA
- Contributor can only be the seller - VA
- Contributor can be seller, lender or other interested party on USDA. Borrower funded buydowns are not eligible on USDA
- Seller paid buydowns must be included in the seller contribution limits
- Buydown accounts must be fully funded at closing
- Funds are not refundable unless the mortgage is paid off before the funds can be applied
- Funds cannot be used to pay past due payments or buy down the mortgage for qualification purposes
- Funds are transferred to a new servicer as part of standard transfer or servicer processes
- A written Buydown agreement outlining the terms of the buydown must be executed by the borrower and the buydown provider

[BUYDOWN CALCULATOR located here](#)

[Temporary Buydown - Compliance FAQ located here](#)