

# 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, FHA, VA and Smart Series (Non-QM) up to 3/2/1 buydown allowed
- USDA up to 2/1 buydown allowed
- Fixed Rate Products Only
- Purchase Transactions Only
- 1-4 Units
- Primary Residence & Second Home
- Manufactured homes ineligible

| Contributor Allowances |              |     |     |      |              |
|------------------------|--------------|-----|-----|------|--------------|
|                        | Conventional | FHA | VA  | USDA | Smart Series |
| Seller                 | Yes          | Yes | Yes | Yes  | Yes          |
| Lender                 | Yes          | Yes | Yes | Yes  | Yes          |
| Borrower               | Yes          | Yes | Yes | No   | Yes          |
| Other Interested Party | Yes          | Yes | Yes | Yes  | Yes          |

#### Other Requirements

- 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
- Written agreement between the party providing the buydown funds and the borrower outlining the final and correct terms of the buydown

[BUYDOWN CALCULATOR located here](#)

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