

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 and Rate & Term Transactions
- 1-4 Units
- Primary Residence & Second Home

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](#)