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	**Home Ready**	**Home Possible**	**SmartEdge and SmartSelf Non-QM (Excludes SmartVest)**	**FHA**	**VA**	**USDA**
Product Type	Fixed rate	Fixed rate	Fixed rate	Fixed rate; interest only products not eligible	Fixed rate	Fixed rate	Fixed rate
Buydown	Up to 3-2-1 buydown	Up to 3-2-1 buydown	Up to 3-2-1 buydown	Up to 3-2-1 buydown	Up to 3-2-1 buydown	Up to 3-2-1 buydown	Up to 2-1 buydown
Transaction Type	Purchase and rate & term refinances	Purchase	Purchase and rate & term refinances	Purchase	Purchase	Purchase	Purchase
Units	1-4 units	1-unit	1-unit	1-4 units (primary), 1-2 units second homes (edge)	1-4 units	1-4 units	1-unit
Occupancy	Primary and second homes	Primary	Primary	Primary and second homes	Primary	Primary	Primary
Product Term	21-to-30-year terms in annual increments	21-to-30-year terms in annual increments	21-to-30-year terms in annual increments	Standard terms	Loan term of 240 or greater	Loan term of 240 or greater	Loan term of 30 years

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

Contributor Allowances: Seller, Lender, Borrower and Other Interested Party contributions allowed.
Note: Borrower contributions not allowed on USDA

BUYDOWN CALCULATOR located here

Temporary Buydown - Compliance FAQ located here