



2/1 Temporary Buydown

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A temporary buydown is when the interest rate is temporarily bought down for the first few years of the loan. This will help the buyer ease into their Mortgage payments by reducing their monthly payment temporarily. For example, a “2/1 buydown” will reduce the borrower’s interest rate by 2% during the first year and then 1% during the second year before returning to the full Note rate in the third year.

A buydown escrow account is created to hold the funds that will offset their monthly payment during the temporary buydown period. These funds are typically obtained from parties such as the property seller or developer as an incentive to purchase the home. The borrower is still required to qualify at the full Note rate despite having to pay for only a portion of the rate the first few years.

Eligibility Requirements –

- 30-year fixed conforming & high balance only
- Purchase transactions
- Primary
- Min FICO: 680
- Term of the buydown: 2/1
- Qualification: based off the Note rate
- Temporary buydown contributor: Seller or builder

Documentation Requirements –

- Written Agreement – The buydown plan must be a written agreement between the party providing the buydown funds and the borrower. The borrower must agree in writing that the buydown funds in the buydown account will be automatically applied each month to reduce the monthly payment of principal and interest to the extent provided under the subsidy buydown agreement. The buydown agreement must provide that the borrower will not be relieved of the obligation to make full monthly Mortgage payments required by the terms of the Mortgage Note if, for any reason, the buydown funds are not available or the buydown funds are not paid.

Additional –

- Initial interest rate is temporarily reduced by no more than two percent below the Note Rate and increased by no more than one percent annually for no more than two years
- When the source of the buydown funds is an interested party to the property sale or purchase transaction, interested-party contribution limits apply



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- TLS will not fund the buydown
- Buydown funds cannot be used to pay past-due payments
- Buydown funds cannot be used to reduce the Mortgage amount for purposes of determining the LTV ratio
- No references to the buydown plan are permitted in the Note and Security Instruments

2/1 Temporary Buydown Calculator

The 2/1 Buydown Calculator can be found in the TPO Portal under **Documents > Product Information**. To use the 2/1 buydown calculator, enter the loan amount and interest rate of your choice. The fields should autofill with the following information:

- Interest Rate After Buydown – The interest rate used to calculate the P&I payment for the first 12 payments (first row) and the subsequent 12 payments (second row). Months 1-12 should have a rate 2% below the desired interest rate, and months 13-24 should have a rate 1% below the desired interest rate
- Monthly Buydown Amount – The amount that the monthly P&I is reduced by for the specified months
- Borrowers Monthly Payment Amount (Principal and Interest) – The amount the borrower will pay for their mortgage payments in each of the specified months
- Buydown Funds – The amount of interested party contributions needed to subsidize the interest rate down in each year
- Total Buydown Funds – The total amount of interested party contributions to be paid

2/1 Buydown Calculator				
Loan Amount	\$	345,678.00	Term of Loan (Years)	30
Note Interest Rate		6.250%	Total P&I	\$2,128.40
Months	Interest Rate After Buydown	Monthly Buydown Amount	Borrowers Monthly Payment Amount (Principal and Interest)	Buydown Funds
1-12	4.250%	\$427.87	\$1,700.53	\$ 5,134.45
13-24	5.250%	\$219.55	\$1,908.85	\$ 2,634.63
Total Buydown Funds				\$ 7,769.08

This calculator is for informational purposes only and should be used to estimate the total buydown subsidy provided by the Seller. Rates and terms are subject to change without notice.



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2/1 Temporary Buydown Pricing

Price the loan in the TPO Portal and ensure 2/1 Buydown is selected as shown below.

LOAN SCENARIO ^

Loan Purpose: Purchase, Loan Amount: \$300,000, Purchase Price: \$500,000

Property: CA - Los Angeles, Single Family, Primary

Borrower: 700 FICO, \$0 Monthly Income, DTI Ratio, \$0 Mo. Reserves

Temp Buydown: 2/1 Buydown

2/1 Temporary Buydown Loan Submission

In order to disclose the Initial Loan Estimate properly, please ensure to checkmark the Loan Feature option **“Temporary Interest Rate Buydown/Initial Buydown rate”** in the *L3 Mortgage Loan Information* section of the URLA.

- The Buydown Initial Interest Rate percentage field is not editable until the file has been registered.
 - If a file is registered through ARIVE, the checkbox *still needs to be selected on the TPO portal*.
- Purchase contract needs to show seller concession
- Buydown funds will not affect the ATR/QM Points and Fees test for compliance

LOAN SUMMARY

URLA

Additional Information

Lender Loan Information

L1. Property and Loan Infor...

L2. Mortgage Information

L3. Mortgage Loan Inform...

L4. Qualifying the Borrowe...

L5. Homeownership Educ...

Borrower Information

Employment and Income

Assets and Liabilities

Real Estate

Loan and Property Informat...

Information for Government...

URLA Continuation

3 - ENTER LE FEES

5 - LOAN DOCUMENTS

URLA / Lender Loan Information

Select Borrower Pair: Carrie BK Training

Loan Features

Balloon / Balloon Term

Interest Only

Interest Only Term: _____ Months

Negative Amortization

Repayment Type Code: Select an Option

Prepayment Penalty/Prepayment Penalty Term

Prepayment Penalty Term: _____ Months

Temporary Interest Rate Buydown/Initial Buydown rate

Buydown Initial Interest Rate: _____ %