



THE
LOAN
STORE[®]

Presents

Your Guide To

2/1 Buydowns

General 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, builder, or realtor
- Appraisal Transfers Allowed

The full Conforming Guidelines are available in the TPO Documents tab under Product Information.

5/12/2022



What is a 2/1 Buydown?

Homebuyers that want to purchase their primary residence but are concerned about going over their budget can benefit greatly from a 2/1 Buydown. Despite increasing equity, new mortgage payments are sometimes substantially higher than rent payments. For many people searching for their ultimate home, this might be a challenge. With a 2/1 Buydown loan, purchasers can finance a home with a more manageable payment that gradually rises over the course of two years.

Who pays for it?

These are typically funded by the builder, seller, or realtor, which will be stated in an agreement. It is negotiated throughout the offer stage, and payment is made at closing as a seller's concession.

Who does it benefit?

By allowing borrowers to buy a new house with reduced monthly mortgage payments for the first two years and then transition to the full payment based on the Note rate amount after that, a 2/1 Buydown helps the borrowers manage their new housing costs gradually.

Contrary to popular belief, this won't just help the homebuyer. It is typical for houses to remain on the market for months when there are too many properties and not enough buyers in the area. The longer a property is on the market, the lower its value can become. A 2/1 Buydown loan can help encourage borrowers to act swiftly on a particular property, moving the house off of the market sooner.

How do I calculate the 2/1 Buydown Amount?

Our brokers have access to a calculator available in the TPO Documents tab under the Product Information section. The broker can enter the Loan Amount and Note Interest Rate to calculate the borrower's payments for the first 2 years.



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