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Understanding Mortgage Buydowns: 2-1 and 1-1 Explained

When buying a home, one of the biggest factors buyers consider is the monthly payment. With interest rates fluctuating, many sellers and lenders are offering **mortgage buydowns** as an incentive to make homes more affordable — at least for the first couple of years.

What is a Buydown?

A buydown is a financing option where **the seller, builder, or buyer pays upfront** to temporarily lower the interest rate on a mortgage. The result is a lower monthly payment for the borrower during the early years of the loan.

Think of it as a way to "ease into" a mortgage, especially helpful for first-time buyers or those adjusting to today's higher interest rates.

The 2-1 Buydown

The **2-1 buydown** lowers your interest rate for the first two years of your loan:

- **Year 1:** Rate is **2% lower** than the full loan rate.
- **Year 2:** Rate is **1% lower** than the full loan rate.
- **Year 3+:** The loan returns to the full rate for the remainder of the term.

Example:
If your 30-year loan is at 6.5%, with a 2-1 buydown you'd pay:

- Year 1: 4.5%
- Year 2: 5.5%
- Year 3–30: 6.5%

This can save hundreds of dollars a month in the beginning, giving buyers breathing room as they settle into homeownership.

The 1-1 Buydown

The **1-1 buydown** works the same way, but only for the first year:

- **Year 1:** Rate is **1% lower** than the full rate.

- **Year 2+:** The rate goes back to the original note rate.

This option costs less upfront than a 2-1 buydown but offers less of a payment reduction.

Who Pays for the Buydown?

- **Sellers** may offer a buydown as a concession to attract buyers.
- **Builders** often use buydowns to help move new construction.
- **Buyers** can also choose to pay for it themselves if they want to reduce early payments.

Key Benefits

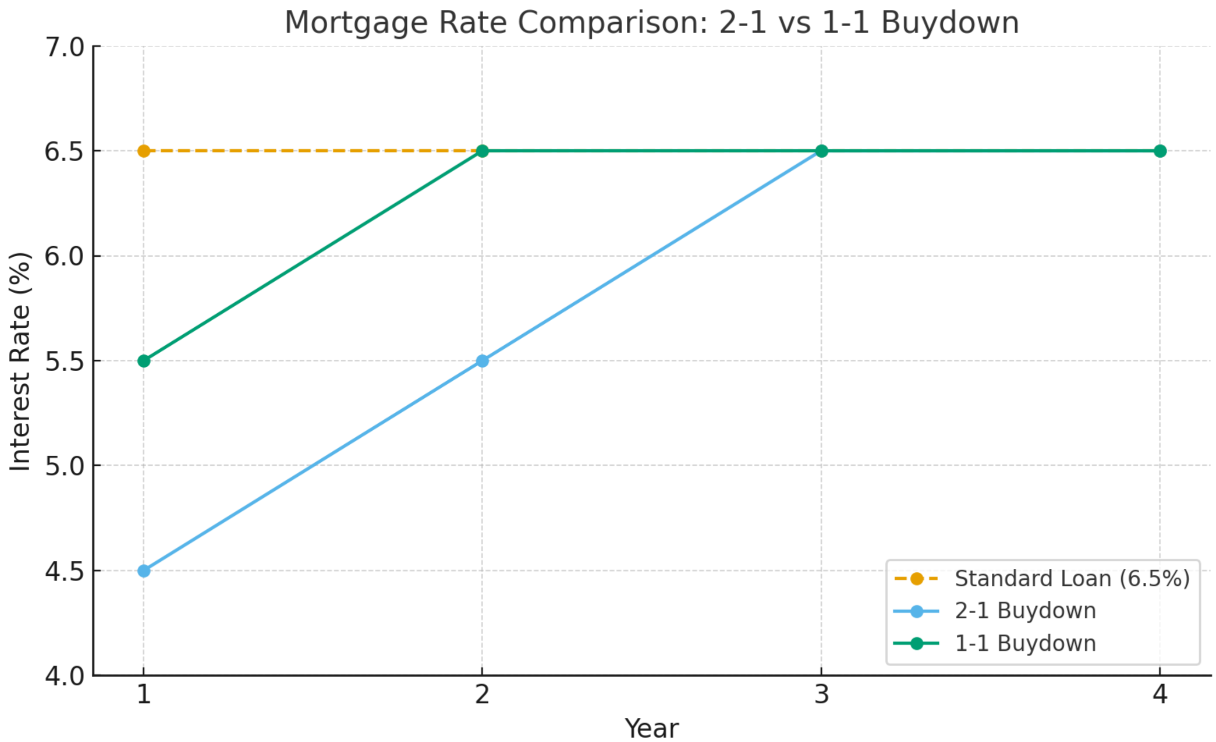
✓ Lower initial monthly payments
✓ Easier to qualify for a loan (in some cases)
✓ Can bridge the gap if you expect income to rise in the next few years
✓ Attractive seller incentive in today's market

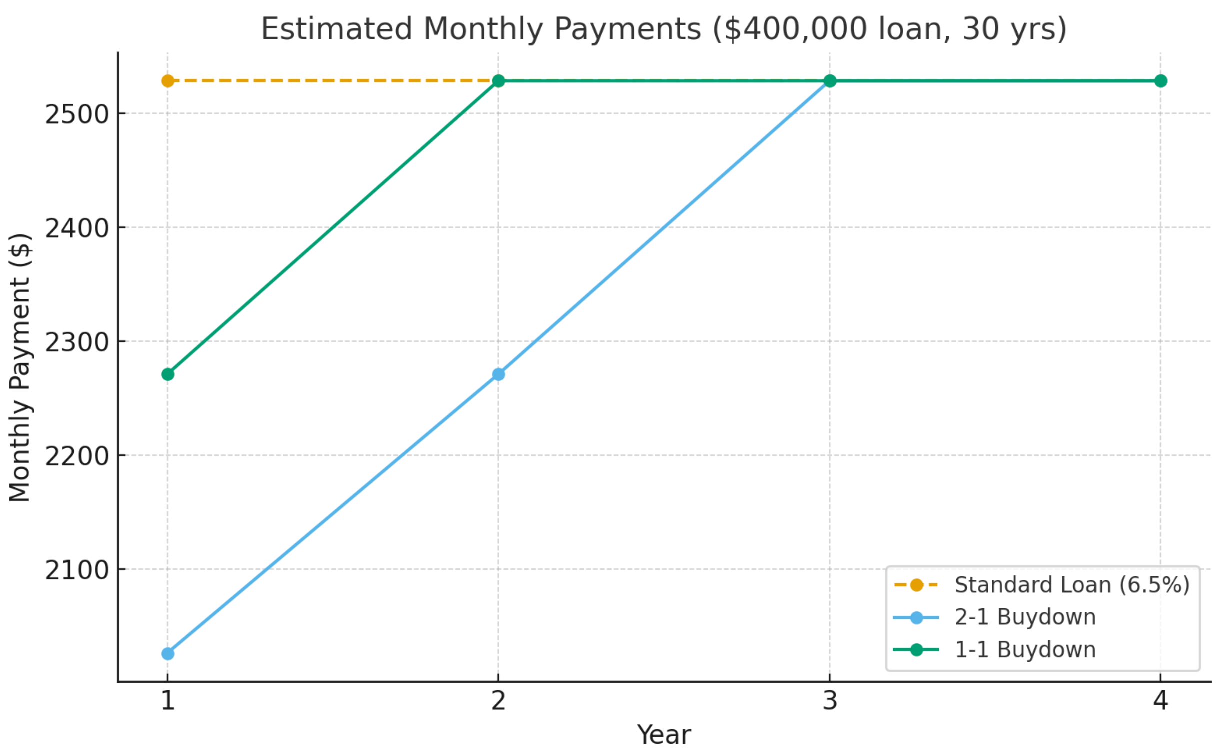
Things to Keep in Mind

- After the buydown period, your payment will **increase to the full note rate**.
- It's important to budget for the higher payment in advance.
- Buydowns don't change your overall loan balance — just the timing of payments.

Bottom Line

A 2-1 or 1-1 buydown can make homeownership more affordable in the short term, and they're becoming more common as sellers and builders look for ways to help buyers manage higher rates. If you're considering buying a home, ask your lender or Realtor (👋 that's me) whether a buydown might be a good fit for your situation.


Mortgage Rate Comparison: 2-1 vs 1-1 Buydown
Interest Rate (%)
7.0
6.5
6.0
5.5
5.0
4.5
4.0
1
2
3
4
Year
Standard Loan (6.5%)
2-1 Buydown
1-1 Buydown


Estimated Monthly Payments ($400,000 loan, 30 yrs)
Monthly Payment ($)
2500
2400
2300
2200
2100
1
2
3
4
Year
Standard Loan (6.5%)
2-1 Buydown
1-1 Buydown