What is a temporary buydown?

There is more than one way to get a lower interest rate. One option that some borrowers use is getting a temporary buydown from the seller. A temporary buydown allows a seller to put up-front funds into an escrow account to reduce the interest rate for one, two, or three years at the start of the mortgage. In turn, this could reduce the borrower's monthly mortgage payment temporarily.

TYPES OF TEMPORARY BUYDOWNS

The type of temporary buydown you seek will depend on your individual needs. A borrower could reduce their rate for one year or up to three years if the seller is willing to pay for it. The rate returns to the original fixed rate after the buy down period.

A **3-2-1 temporary buydown** can reduce a homebuyer's interest rate for three years and will lower the rate by 3% the first year, 2% the second year and 1% the third year. After the third year, the rate will remain the same for the loan term.

The **2-1 temporary buydown** reduces the borrower's interest rate for two years, reducing the rate by 2% the first year and 1% the second year.

Finally, the **1-0 temporary buydown** which allows the borrower to reduce their interest rate by 1% for the first year of their loan.

Want to learn more? Contact me today!

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