

RATE BUY DOWN GUIDE

YOUR GUIDE TO FINDING THE RIGHT BUY DOWN



TASK FORCE MORTGAGE TEAM

POWERED BY CROSSCOUNTRY MORTGAGE®

TYPES OF RATE BUY DOWN'S

BUY DOWN'S EXPLAINED

A mortgage rate buy down is a tool used by a home buyer to get a lower interest rate on their mortgage.

To achieve this lower rate a home buyer can pay *discount points* at closing. Alternatively, the seller can also pay for this buy down via what is called “*Seller Paid Closing Costs*”.

These seller paid closing costs are negotiated into your purchase agreement.



TEMPORARY

A temporary buy down is when a party in a mortgage transaction pays a lump sum in order to reduce the interest rate *temporarily* for the first few years of the loan.

This can help a buyer ease into the full mortgage payment at the beginning of the loan term.

PERMANENT

A permanent buy down lowers the interest rate for the *life of the loan*. If a borrower gets a 30-year fixed-rate mortgage with a permanent buy down, the interest rate will be lower for *all 30 years*.

The cost the buydown is paid at closing.

Temporary Rate Buy Down

2/1

2/1 buy down is a specific type of mortgage buy down that gives buyers a lower rate and monthly payments for the *first two years*.

The interest rate for Year 1 is 2% lower than the current market and Year 2 has a 1% lower rate. Years 3 to 30 are fixed at the rate you secured when getting your mortgage.

3/2/1

3/2/1 buy down is a specific type of mortgage buy down that gives buyers a lower rate and monthly payments for the *first three years*.

The interest rate for Year 1 is 3%, Year 2 is 2%, and Year 3 is 1% lower than the current market. Years 4 to 30 are fixed at the rate you secured when getting your mortgage.

EXAMPLE:

Sale Price: \$250,000 | Down payment: \$50,000
Loan amount: \$200,000 | 30-year fixed rate: 6%

2/1 Buy Down			3/2/1 Buy Down	
	Effective Rate	Total Savings	Effective Rate	Total Savings
Year 1	4%	\$954.83	3%	\$843.21
Year 2	5%	\$1,073.64	4%	\$954.83
Year 3+	6%	\$1,199.20	5%	\$1,073.64
Year 4+			6%	\$1,199.20
Total Savings and Seller Credit		\$4,436.76		\$8,707.44

The sample rates provided are for illustration purposes only and are not intended to provide mortgage or other financial advice specific to the circumstances of any individual and should not be relied upon in that regard. CrossCountry Mortgage, LLC cannot predict where rates will be in the future. The payment example does not include assessments. Actual payment obligations may be greater and may vary. Mortgage Insurance Premium (MIP) is required for all FHA loans, and Private Mortgage Insurance (PMI) is required for all conventional loans where the LTV is greater than 80%. Rate(s) payment info is valid as of 12/14/2022 and assumes a first lien position, 740 FICO score, 25-day rate lock, based on a single-family-home. All terms are subject to change without notice. Loans are subject to underwriting guidelines and the applicants credit profiles. Not all applicants will receive approval. Contact CrossCountry Mortgage, LLC For more information. Available for conventional, FHA, VA, and USDA loans only.

TEMPORARY PRO'S & CON'S

PRO

- Lower rate than permanent buy downs.
- Unused funds are applied to the principal if the loan is refinanced during the buy down period

CON

- Buyer can't qualify at a lower start rate.
- Only temporary relief in mortgage payments.
- Buyer may need to refinance, if rates drop.



Permanent Rate Buy Down

Fixed Term

A permanent buy down mortgage has a lower interest rate for the *entire term of the loan*.

Discount points represent a fee paid at the loan's closing or when the documents are signed with the lender to lower the interest rate on a mortgage. The amount of interest rate reduction for each point can vary between lenders. Although the buyers usually buy discount points, the seller can also pay for the points on behalf of the buyer.

So, if a borrower gets a 30-year fixed-rate mortgage with a permanent buy down, the interest rate will be lower for all 30 years.



PERMANENT PRO'S & CON'S

PRO

- Rate is fixed for the life of the loan.
- Buyer can qualify at a lower rate.
- Avoid future refinancing issues
 - Job loss
 - Lower home values

CON

- Buyer may need to refinance, if rates drop.





Does It Work For All Loans?

Loans You Can Use Buy Downs

VA

FHA

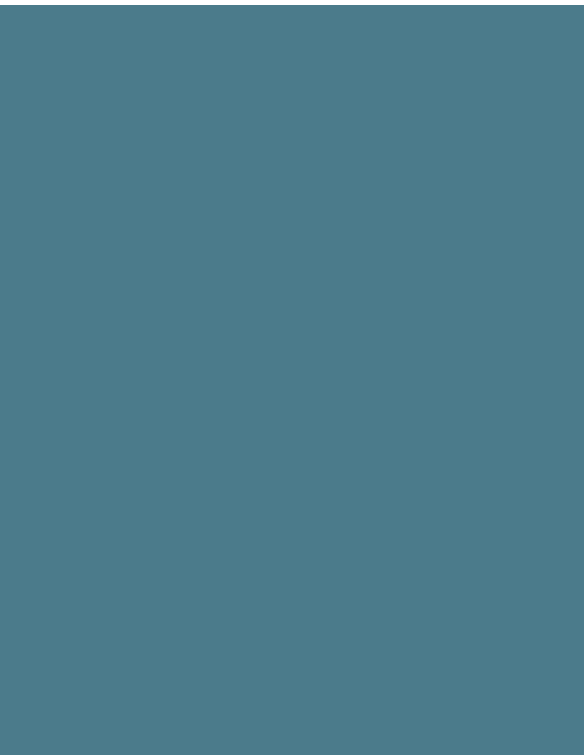
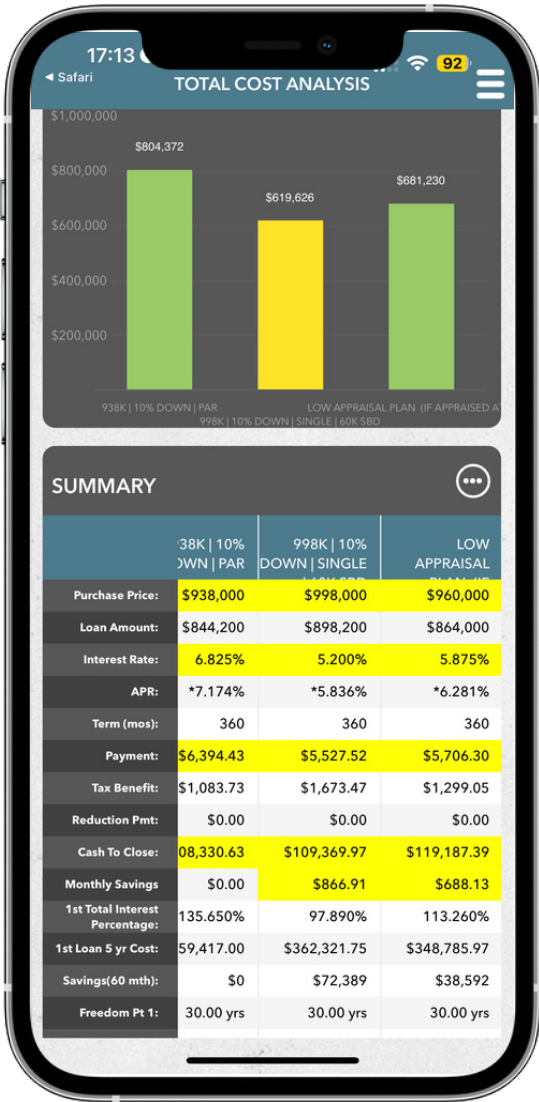
ARM

Conv.

Jumbo

Rate Buy Down Options & Payments

Your Mortgage Dashboard



Creating Affordable Financing For ALL Buyers



Meet Your Expert



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