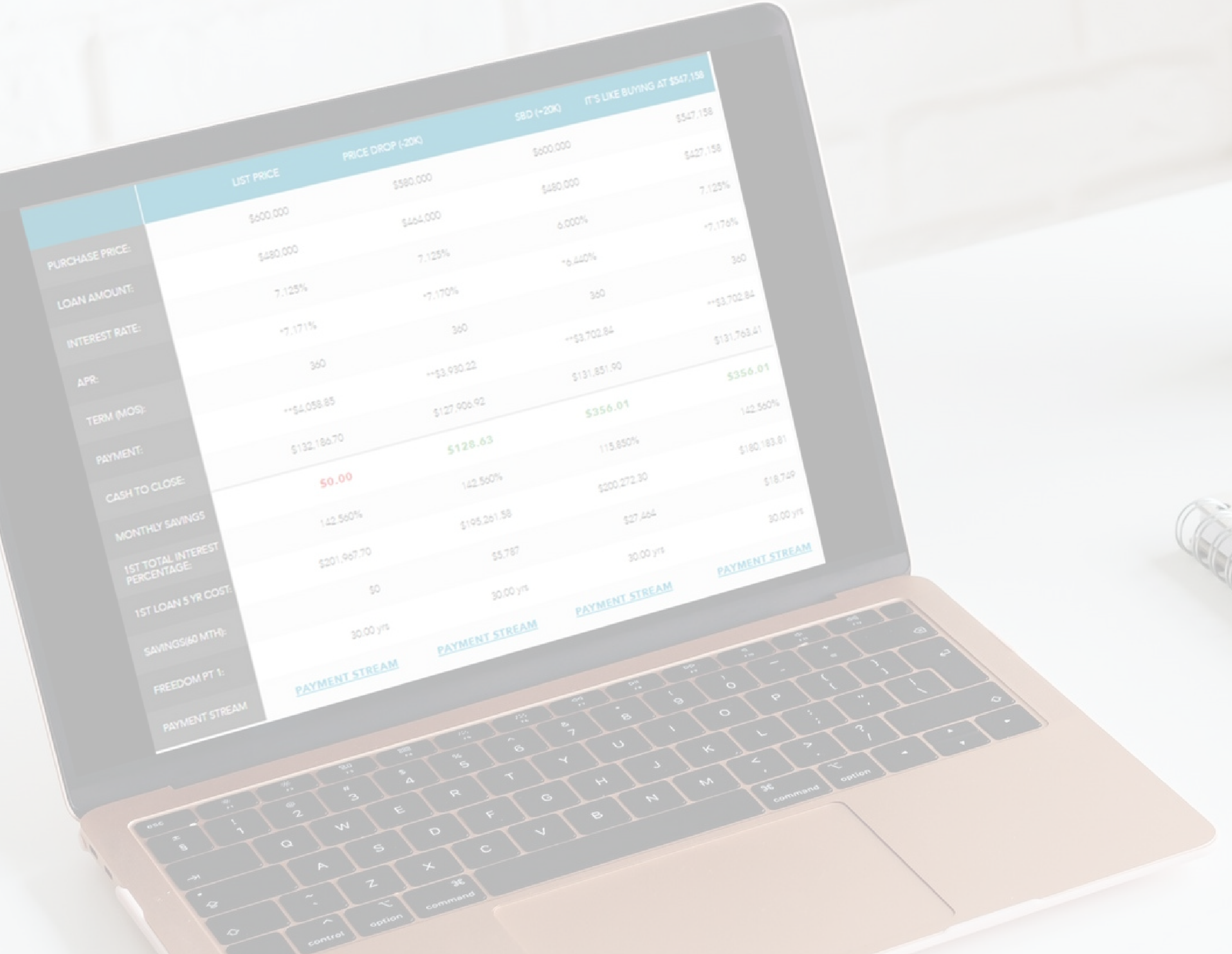
KANSAS **SHELBY BARTELT** MISSOURI



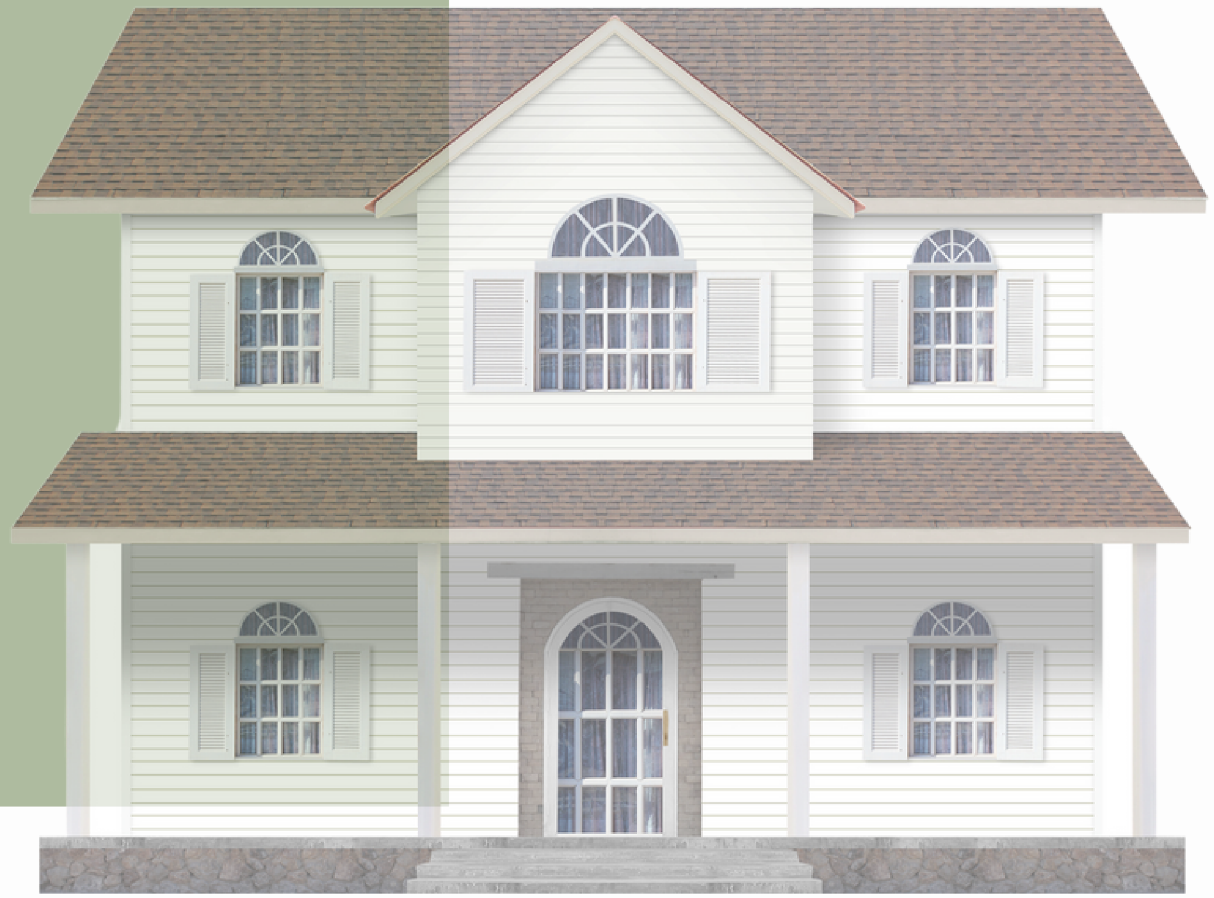
RATE BUYDOWN Guide

YOUR GUIDE TO FINDING THE RIGHT BUYDOWN

Buydown

noun

A buydown is a way for a borrower to obtain a lower interest rate by paying discount points at closing. Discount points also called mortgage points or prepaid interest points, are a one-time fee paid upfront. In the case of discount points, the interest rate is lower for the loan term.



Does it work for all loans?

01 Conventional Loans

02 FHA Loans

03 VA Loans

04 USDA Loans

Types of Rate Buydowns

Temporary

A temporary buydown is when a party in a mortgage transaction pays a lump sum to temporarily reduce the interest rate for the loan's early years. This can help a buyer ease into the total mortgage payment at the beginning of the loan term.

Permament

A permanent buydown mortgage has a lower interest rate for the entire term of the loan. So, if a borrower gets a 30-year fixed-rate mortgage with a permanent buydown, the interest rate will be lower for all 30 years.

Temporary Rate Buydown

2/1

For example, a 2-1 buydown is a specific type of mortgage buydown that allows homebuyers to save on their interest rate for the first two years of the loan.

Permanent Rate Buydown

Fixed Term

A permanent buydown mortgage has a lower interest rate for the entire term of the loan. So, if a borrower gets a 30-year fixed-rate mortgage with a permanent buydown, the interest rate will be lower for all 30 years.

Temporary Buydown Pros & Cons

PRO

CON

1. Lower Rate than Perm Buydowns. 2. Unused Funds Are Returned To The Buyer.
3. Seller Can Fund The Temp Buydown.

1. Buyer Can't Qualify At The Lower Start Rate.
2. Offer Temporary Relief In Mortgage Payments.
3. Buyer Would Need To Refinance If the Market Drops.

Permanent Buydown Pros & Cons

PRO

CON

1. The Rate Is Fixed For the Life Of Loan.
2. The Buyer Can Qualify At The Lower Rate.
3. Directly Addresses Our Housing Affordability Crisis.
4. Buyer Doesn't Need To Refi Down The Road.
5. Buyer Doesn't Need To Worry About Job Loss, Lower Credit Scores, And/Or Lower Values With Temporary Buydown Option.

1. Buyer Might Need To Refinance If Rates Drop Below the Buydown Rate.