

SELLER CONCESSIONS/BUY DOWNS

WHAT IS A SELLER BUYDOWN?

A seller buydown is a seller concession/credit toward a buyer's closing costs that is used to buy down the home loan interest rate.

TEMPORARY BUYDOWN:

- A temporary buydown allows borrowers to reduce their effective monthly payment for a limited period of time through a temporary buydown of the interest rate. In a temporary buydown, the effective interest rate a borrower pays during the early years of the mortgage is reduced as a result of the deposit of a lump sum of money (sometimes called a "subsidy") into a buydown account, a portion of which is released each month to reduce the borrower's payments. A common temporary buydown is a "2-1," meaning the mortgage payment in years one and two, are calculated at rates of 2 percent, and 1 percent, respectively, below the rate on the loan. The note rate and monthly payment the borrower is obligated to pay is never actually reduced, and the full rate and payment must be reflected on the mortgage documents. At the end of the buydown period, the buydown funds collected at closing will have been exhausted, and the buydown period ends.
- The buyer must qualify based on the Note Rate
- Eligible on a purchase of a Primary Residence or Second Home; Investment property and Jumbo loans are NOT eligible.

SELLER CONCESSION GUIDELINES BY LOAN TYPE:

- Every loan program has a limit on the maximum seller concession. See the following max concession by loan type:

Conventional Conforming(Fannie Mae/Freddie Mac):

- 2% of the purchase price for a mortgage secured by an investment property regardless of the down payment.
- 3% of the purchase price for a mortgage secured by a principal residence if the down payment is less than 10%.
- 6% of the purchase price for a mortgage secured by a principal residence or second home if the down payment is 10%-24.99%.
- 9% of the purchase price for a mortgage secured by a principal residence or second home if the down payment is 25% or more.

FHA: 6%

VA: 4% not including discount points

Jumbo Loans: most allow up to 3% but varies by lender, so be sure to check with the lender first

Suggested verbiage: "Seller to credit buyer \$X toward closing costs, prepaids and any other cost allowed by lender".



KELLY ZITLOW

NMLS 164330 | SR. MORTGAGE ADVISOR
HEAD OF ELITE BRANCH NETWORK
CALL OR TEXT **480.725.0150**
MYHOME@KELLERMORTGAGE.COM
KELLYZITLOWGROUP.COM

KellyZitlowgroup

Powered by

