# TEMPORARY BUYDOWN PRODUCT GUIDE
12/21/2022

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| **Temporary Buydown Defined** | A temporary buydown is an option that creates a funded buydown account that is used to temporarily reduce the borrower's monthly payment during the initial year(s) of the loan. The Note Rate remains constant; only the borrower's payment is reduced. |

**Temporary Buydown Overview**

## Program Summary

This *Temporary Buydown Product Guide* provides information regarding Loan Eligibility, Documentation, and Compliance requirements for loans with temporary buydown features.
For additional information, see the applicable program guide.

## Loan Eligibility Guidelines

| Loan Eligibility | |
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| **Eligible Account Source - Contributor** | • Interested Party Contribution (subject to applicable Agency Interested Party Contribution limits)<br>Borrower funded buydowns are not permitted |
| **Eligible Buydown Types** | 2-1 Buydown<br>• Payment calculated at 2% below the Note Rate for the first year<br>• Payment calculated at 1% below the Note Rate for the second year<br>• Payment calculated at the Note Rate for years three through maturity<br>1-0 Buydown<br>• Payment calculated at 1% below the Note Rate for the first year<br>• Payment calculated at the Note Rate for years two through maturity<br>Requirements vary by Agency. |
| **Eligible Programs** | • Fannie Mae – Standard Conforming Balance, Standard High-Balance, HomeReady®<br>• Freddie Mac – Conforming, Super Conforming, Home Possible®<br>• FHA – Standard<br>• VA |
| **Eligible Products** | • 30-Year Fixed Rate |

| TEMPORARY BUYDOWN – LOAN REQUIREMENTS<br>References to Agency Guidelines are included for reader convenience and are not intended to represent the entire Agency requirement. | | | | |
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| **Topics** | **Fannie Mae**<br>*B2-1.3-05, B3-4.1-02* | **Freddie Mac**<br>*4204.4, 4501.5* | **FHA**<br>*4000.1.II.A.6.a* | **VA**<br>*Ch. 7* |
| **Borrower Qualification** | The borrower must be qualified based on the Note rate without consideration of the bought-down rate. | • The Borrower must be qualified using monthly payments calculated at the Note Rate.<br>• If reserves are required, the reserves must be calculated using the Note Rate. | The Note Rate must be used when calculating principal and interest for Mortgages that involve a temporary interest rate buydown. | The borrower must be qualified based on the Note rate without consideration of the bought-down rate. |
| **Transaction Types** | • Purchase<br>• Rate & Term Refinance (Limited Cash-Out) | • Purchase<br>• No Cash-Out Refinance<br>*(Not Permitted with a Buydown plan funded from a lender credit derived from an increase in the interest rate)* | • Purchase<br>*(Refinance transactions are not eligible, including Streamline Refinances)* | • Purchase<br>*(VA IRRRL and Cash-Out Refinances are not eligible)* |
| **Occupancy and Property Type**<br>(Includes Condominiums and PUDs if otherwise eligible) | **Standard Conforming and High Balance**<br>• Primary Residence (1-4 Units)<br>• Second Home (1 Unit)<br>**HomeReady**<br>• Primary Residence (1 Unit) | **Conforming and Super Conforming**<br>• Primary Residence (1-4 Units)<br>• Second Home (1 Unit)<br>**Home Possible**<br>• Principal Residence (1 Unit) | • Primary Residence (1-4 Units)<br>• Second Home (1 Unit) | • Primary Residence (1-4 Units) |