

<p>Temporary Buydown Defined</p>	<p>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.</p>		
<p>Temporary Buydown Overview</p>	<p><u>Program Summary</u> This <i>Temporary Buydown Product Guide</i> provides information regarding Loan Eligibility, Documentation, and Compliance requirements for loans with temporary buydown features. For additional information, see the applicable program guide.</p>		
	<p><u>Loan Eligibility Guidelines</u></p>		
	<p>Loan Eligibility</p>		
	<p>Eligible Account Source - Contributor</p>	<ul style="list-style-type: none"> • Interested Party Contribution (subject to applicable Agency Interested Party Contribution limits) <p><u>Borrower funded buydowns are not permitted</u></p>	
	<p>Eligible Buydown Types</p>	<p><u>2-1 Buydown</u></p> <ul style="list-style-type: none"> • Payment calculated at 2% below the Note Rate for the first year • Payment calculated at 1% below the Note Rate for the second year • Payment calculated at the Note Rate for years three through maturity <p><u>1-0 Buydown</u></p> <ul style="list-style-type: none"> • Payment calculated at 1% below the Note Rate for the first year • Payment calculated at the Note Rate for years two through maturity <p><u>Requirements vary by Agency.</u></p>	
	<p>Eligible Programs</p>	<ul style="list-style-type: none"> • Fannie Mae – Standard Conforming Balance, Standard High-Balance, HomeReady® • Freddie Mac – Conforming, Super Conforming, Home Possible® • FHA – Standard • VA 	
<p>Eligible Products</p>	<ul style="list-style-type: none"> • <u>30-Year Fixed Rate</u> 		

TEMPORARY BUYDOWN – LOAN REQUIREMENTS

References to Agency Guidelines are included for reader convenience and are not intended to represent the entire Agency requirement.

Topics	Fannie Mae <i>B2-1.3-05, B3-4.1-02</i>	Freddie Mac <i>4204.4, 4501.5</i>	FHA <i>4000.1.II.A.6.a</i>	VA <i>Ch. 7</i>
Borrower Qualification	The borrower must be qualified based on the Note rate without consideration of the bought-down rate.	<ul style="list-style-type: none"> The Borrower must be qualified using monthly payments calculated at the Note Rate. 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	<ul style="list-style-type: none"> Purchase Rate & Term Refinance (Limited Cash-Out) 	<ul style="list-style-type: none"> Purchase No Cash-Out Refinance <i>(Not Permitted with a Buydown plan funded from a lender credit derived from an increase in the interest rate)</i>	<ul style="list-style-type: none"> Purchase <i>(Refinance transactions are not eligible, including Streamline Refinances)</i>	<ul style="list-style-type: none"> Purchase <i>(VA IRRRL and Cash-Out Refinances are not eligible)</i>
Occupancy and Property Type (Includes Condominiums and PUDs if otherwise eligible)	Standard Conforming and High Balance	Conforming and Super Conforming	<ul style="list-style-type: none"> Primary Residence (1-4 Units) Second Home (1 Unit) 	<ul style="list-style-type: none"> Primary Residence (1-4 Units)
	HomeReady	Home Possible		
	<ul style="list-style-type: none"> Primary Residence (1-4 Units) Second Home (1 Unit) 	<ul style="list-style-type: none"> Primary Residence (1-4 Units) Second Home (1 Unit) 		
	<ul style="list-style-type: none"> Primary Residence (1 Unit) 	<ul style="list-style-type: none"> Principal Residence (1 Unit) 		