



TEMPORARY BUY DOWNS - HOW TO GUIDE

Seller Paid Temporary Buydowns are available on Conventional, FHA, VA, and USDA non-specialty 30 year fixed purchase loans.

Lender Paid Temporary Buydowns are available on Conventional non-specialty 30 year fixed purchase loans. Lender Paid temporary buydowns be reflected through loan level price adjustments which will impact your permanent rate.

Options include: 3/2/1 (seller only) ; 2/1 ; 1/1 or 1/0

For all Options the borrower must qualify at the full note rate. Buydown must be reflected on the lock and disclosed the purchase agreement. **Please see the TPO Product Guide on gmfspartners.com for full eligibility Guidelines**

3/2/1 Buydown:

Seller pays fee, effectively prepaying a portion of the borrower's P&I payments for the first three years of the mortgage. As a result, the payment to the borrower is 3% less than the note rate for the first year, increases to 2% less than the note rate for the second year and increases to 1% less than the note rate for the third year and from there increases to the note rate for years four and beyond.

2/1 Buydown:

Seller or Lender pays fee, effectively prepaying a portion of the borrower's P&I payments for the first two years of the mortgage. As a result, the payment to the borrower is 2% less than the note rate for the first year, increases to 1% less than the note rate for the second year and increases to the note rate for years three and beyond.

1/1 Buydown:

Seller or Lender pays fee, effectively prepaying a portion of the borrower's P&I payments for the first year of the mortgage. As a result, the payment to the borrower is 1% less than the note rate for the first and second year and increases to the note rate for years three and beyond.

1/0 Buydown:

Seller or Lender pays fee, effectively prepaying a portion of the borrower's P&I payments for the first year of the mortgage. As a result, the payment to the borrower is 1% less than the note rate for the first year and increases to the note rate for years two and beyond.

What do I need to do?

Disclosures- Our required disclosures can be found under forms -- <https://gmfspartners.com/products/buydowns/>

We recommend that clients select the option for GMFS to Disclose particularly on the lender paid buydown option. If client chooses to disclose you must use the GMFS Lender Paid Disclosure Agreement. Additionally for both Seller or Lender Paid, the terms of the buydown are required to be disclosed on the purchase agreement. Separate buydown agreement must be signed by the borrower, seller, and lender. Please submit with your initial documents at submission. The disclosures will be required prior to submitting a loan for closing.

How much does it cost? This will vary with the rate and term and for Seller Paid you can check out our Seller Subsidy Calculation Tool <https://gmfspartners.com/products/buydowns/> Cost will increase slightly as the rate increases. For Lender Paid, you will see the permanent rate increase as you change the buydown options from 1/0 up to 2/1. The price of the lender paid buydown will be included in the lock.

Lock- The Buydown can be locked by toggling in OB to 3/2/1, 2/1, 1/1, or 1/0 and the eligible buydown loan programs will appear. For Seller Paid Buydown, your loan program name will be appended to add “BD- S” (for example, “GMFS-Fannie 30 yr. – BD-S”) and for Lender Paid you can distinguish the difference in the name as it is “BD-L”. Any change in the contributor will require an update to your lock and potentially disclosures.

The Loan will default to Seller if for the buydown contributor is not specified.

This screenshot shows a portion of a web form with three columns of input fields. The first column contains 'Desired Price' (text input), 'Buydown' (dropdown menu with 'None' selected), and 'FHA Case # Assigned' (dropdown menu with 'On or after 1/1/2023' selected). The second column contains 'Desired Rate' (text input), 'Borrower Pays MI (if required)' (dropdown menu with 'Yes' selected), and 'Buydown Contributor' (dropdown menu with 'Seller' selected). The third column contains 'Desired Lock Period' (text input) and 'Automated U/W System' (dropdown menu with 'Not Specified' selected). The 'Buydown' and 'Buydown Contributor' dropdowns are highlighted in yellow.

If you are looking for Lender Paid Buydown Option you need to select the Buydown amount and then change the contributor to “Lender”. The price change will be reflected on the lock and will include a price adjustment.

This screenshot shows the same form as above but with different selections. The 'Buydown' dropdown is now set to '1/1' and the 'Buydown Contributor' dropdown is set to 'Lender'. Both dropdowns are highlighted in yellow. There is also an unchecked checkbox labeled 'Expanded Guidelines' at the top of the form.

Once the lock is accepted the buydown amount will be reflected in Encompass on the Buydown Disbursement page and you can see the Buydown Payment under the Quick Reference tool on the Borrower Summary.