



first community mortgage



Temporary Buydown

Frequently Asked Questions (FAQ's)

Q: What is a temporary buydown?

A: A temporary buydown provides a buyer a discounted interest rate for 1-3 years, based on temporary buydown selection. A lump sum of money is deposited into an escrow account to pay the difference in rate for the buydown years. These funds are then drawn by the servicer and used to reduce the borrower's payment each month until the third year when they start making the full PITI payment. During the buydown period, taxes and insurance are still collected as part of their payment.

Q: Is there a temporary buydown calculator available?

A: Yes, a temporary buydown calculator is available on the Wholesale and Correspondent Knowledge Center under Resources. The buydown calculator has an input tab with output for all 4 buydown types FCM offers

Q: Are all buydown types (1/0, 1/1, 2/1, and 3/2/1) available for all products?

A: No, 3/2/1 is not available on USDA loans

Q: What happens to the buydown funds if the home is sold or refinanced within the first 24 months?

A: If the home is sold or refinanced in the first 24 months, the remaining buydown funds are applied to reduce the amount of the payoff of the home being sold or refinanced OR once the loan is paid off, the borrower will receive a check from the servicer for the remaining buydown escrow.

Q: Who can contribute to the buydown fund?

A: FCM only permits the Seller or Builder to contribute to the buydown fund. Borrower, Lender, and Premium Pricing from the interest rate are not allowed.

Q: Does the borrower qualify with the temporary buydown reduction?

A: No, the borrower is required to qualify at the full interest rate and payment.

Q: Does the Borrower and Seller/Builder need to sign a buydown agreement?

A: Yes, all parties are required to sign the Temporary Buydown Agreement at Closing.

Q: Are the percentage of buydown funds included in interested party contribution limits?

A: Yes, the percentage of buydown funds must be included in the interested party contribution limit. To calculate the percentage of buydown fund contribution, divide the buydown fund total by the purchase price. Example: Total Buydown Cost \$3729.24 / Purchase Price \$200,000= Total Buydown Concession 1.865%

Q: Is an extended rate lock available on a temporary buydown product?

A: No, extended rate locks are only available on Conventional and Government loans being sold to agency.

Q: Is the buydown fund amount to be disclosed on the LE/CD?

A: Yes, the total buydown subsidy amount is to be shown on the LE/CD in Section H.