



first community mortgage



WHOLESALE ANNOUNCEMENT 2022-56

November 2, 2022

Additions to 2-1 Temporary Buydown Product

Effective Date

New Locks on or after November 2, 2022

Summary:

FCM is pleased to add USDA and VA to our 2-1 Temporary Buydown Product Offering:

What is a 2/1 buydown and how does it work?

A 2/1 temporary buydown provides a buyer a discounted interest rate for the first 2 years of the loan term. A lump sum of money is deposited, by seller/builder, 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.

Product Summary

- Conventional (FNMA/FHLMC), FHA, USDA, and VA- 30-year fixed rate purchase only
- Primary Residence
- Minimum FICO 680
- Buydown accounts may not be funded by the Borrower or Lender
 - Seller or Builder only and counts toward third party contribution limits, per agency guidelines
 - Use of premium pricing towards buydown is not allowed
- Interest Rate/Buydown Schedule
 - Rate Year 1 = Locked interest rate less 2%
 - Rate Year 2= Locked interest rate less 1%
 - Rate Years 3-30= Locked interest rate
- Payment is qualified at full note rate without benefit of buydown
- Borrower and Contributor must execute a buydown agreement at closing
- LE/CD will show the full PITI payment, buydown agreement will show the yearly buydown adjustments
- Taxes, Insurance, and applicable mortgage insurance are required to be paid by the borrower as part of the payment for the full 30 years, including the first 2 buydown years
- AUS Required, as applicable
- Delegated Underwriting
 - Must meet all applicable Agency requirements, including and but not limited to, qualification, documentation, and funding of buydown.
 - Borrower must qualify on full note amount
- Buydown will show as a Builder/Seller credit and listed on the LE/CD, Section H/Other
- Note and payment letter will show full PITI amount. Buydown agreement will show terms of the temporary buydown (*Fillable buydown agreement is available on the Wholesale Knowledge Center*)
- Follows agency guidelines with FCM overlays, available on our Overlay Resource in the Knowledge Center

Should you have any questions, please reach out to your Account Executive or Client Manager