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Rate Buydowns: A Quick Reference

Permanent and temporary buydowns in plain language, with no pricing quotes.



EASE MORTGAGE

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Two common structures

A **permanent buydown** typically uses discount points paid at closing to reduce the note rate for the life of the loan, subject to the actual loan terms.

A **temporary buydown** typically places funds in a subsidy account so the borrower pays a lower effective rate for a stated early period, then pays the note rate after that period ends. Common market names you may hear include a 2-1 or 1-0 structure. Those names describe the temporary path; they are not a quote.

What a buydown does and does not do

- It may change the interest rate path or the early payment, depending on the structure.
- It does not, by itself, change the contract price, the appraisal, or a financing contingency date.
- It does not replace a preapproval, an underwriting decision, or a Closing Disclosure.
- It is not a promise that a buyer can afford the later payment, or that a listing will attract a particular offer.

Questions before it goes in an offer

- Who is funding it — buyer, seller, builder, or a combination?
- Does the contribution fit the program's interested-party cap?
- Is it a permanent change to the note rate, a temporary subsidy, or something else?
- What happens if the loan amount or the closing date changes?
- Has the loan officer run this exact structure for this file?

This printable does not state a rate, a payment, a savings amount, or an example monthly figure. Those would be advertising terms if stated here. Ask the loan officer to illustrate the structure on the actual file.

A longer educational guide is in the Realtor Resource Center under Mortgage Rate Buydowns.



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