# HOW A 3 2 1 BUYDOWN WORKS

## Lower payments for the first three years

A simple guide for buyers and their agents

### WHAT IS IT

The seller pays money at closing to lower the buyer's payment for the first three years. The loan still has one full note rate. The seller's funds make up the difference during the buydown years.

| YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4+ |
|---|---|---|---|
| **4.3%** | **5.3%** | **6.3%** | **7.3%** |
| payment $5,814.74 | payment $6,524.83 | payment $7,272.93 | payment $8,055.46 |
| **$2,240.72 less/mo** | **$1,530.63 less/mo** | **$782.53 less/mo** | **Full payment** |

### REAL NUMBERS FOR THIS EXAMPLE

Based on a $1,175,000, 30-year conventional loan with a 7.3% note rate and an estimated 7.492% APR. Payments shown are principal and interest only. Taxes and insurance are extra.

### WHY BUYERS LIKE IT

- Lower payments while you settle into the home
- More room in your budget during years 1, 2, and 3
- A chance to buy now instead of waiting for rates to change

### WHAT IF RATES DROP

You may be able to refinance at any time if you qualify and the new loan makes sense.

Unused buydown funds are generally applied to the loan balance when the loan is paid off or refinanced. Ask the lender how this loan handles unused funds.

### THE GOAL

Buy the home you want at today's price, enjoy lower payments at first, and refinance later if rates fall and you qualify. Home prices and rates can go up or down, so neither is guaranteed.

### IMPORTANT TO KNOW

The buyer must qualify using the full note rate and full payment. The seller-paid buydown does not change the note rate. Loan approval, buydown rules, refinancing, future rates, and future home values are not guaranteed.

**Ask your real estate agent and a licensed mortgage lender for details.**

Educational example only. Terms and figures may change.