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THE MARK MAIMON TEAM

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2-1 Temporary Buydowns

This is a great tactic to bring buyers and sellers together when the buyer is concerned about their monthly payments and the seller doesn't want to drastically reduce the sale price of the property. With a 2-1 Temporary Buydown, a seller pays roughly 2.5% of the loan amount to temporarily reduce the buyer's interest rate – by 2% in year one and 1% in year 2.

Most industry experts are predicting that people will be refinancing within that timeframe so the buyer may actually never pay current market rates! The reason a seller would potentially agree to do this is because it's far less money out of their pocket than it would be to reduce the price to the point where the buyer's monthly payment would be the same as it would be with the 2-1 buydown.

We have solutions for this Buydown option on both conforming and jumbo loans and the larger the loan, the more impactful the 2-1 Temporary Buydown can be.

An Example

Below are some numbers to illustrate what it would look like on a $500k loan assuming the going rate is 7%:

Seller pays 2.5 points for the buyer – cost of $12,500 (2.5% of $500,000)
Actual Mortgage Payment @ 7% = $3,327
Year 1 Mortgage Payment @ 5% = $2,684 (difference of $643 per month)
Year 2 Mortgage Payment @ 6% = $2,998 (difference of $329 per month)

The sale price would have to drop by $50k to $100k to achieve these same monthly payments for the buyer!! That's why the buydown is a more efficient use of the seller's funds – not to mention that coop boards will prefer to keep the comps at higher prices!

Email mmteam@luminate.bank with any questions.