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THE MARK MAIMON TEAM

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2-1 Buydowns

Temporary buydowns are a great tactic to help bring your monthly payments down even when a seller won't budge on the sale price. The idea behind it is that a seller gives you a credit at closing equal to roughly 2.5% of the loan amount to temporarily reduce your interest rate – by 2% in year one and 1% in year two.
If you end up refinancing to a lower rate within that approximate timeframe then you might never pay current market rates!

The reason a seller would potentially agree to do this is because it's less money out of their pocket than it would be to reduce the price. So it can be a great negotiating tactic to lower your monthly payments while also getting the seller to be comfortable with the sale price.

An Example

Seller credits 2.5% of the $500,000 loan amount ($12,500) to you at closing to pay for the temporary buydown

Actual Mortgage Payment @ 7% = $3,327 (assumed current market rate of 7%)
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 payment figures!! That's why the buydown is a great negotiating tactic to help you make a deal with a seller.

Email mmteam@luminate.bank with any questions.