



2/1 BUYDOWN - HOW TO GUIDE

The Seller funds the buydown subsidy in the amount disclosed in Section H of the Loan Estimate and Closing Disclosure. The buydown subsidy effectively prepays a portion of the borrower's P&I payments for the first two years of the mortgage. As a result, the payment to the borrower is effectively reduced by 2% less than the note rate for the first year, and 1% less than the note rate for the second year. The borrower then becomes responsible for the full amount of the payment the third year, until the loan is paid in full. Although the payment amount is reduced for the first two years, the borrower must qualify at the full note rate and payment amount.

Buydown Eligibility Requirements:

- Conventional, FHA, VA, and USDA available (Gov min fico 640)
- Primary residence or second homes (Conv only)
- Funds may only be paid by the seller
- Buydown Agreement must be signed by borrower, seller, and lender
- Seller funded buydown must be included in the purchase agreement
- Buydown cannot exceed maximum interested party contributions, as per investor guidelines

What do I need to do?

Lock- Loan can be locked by toggling the buydown field in OB to 2/1 and the buydown loan programs will appear. After requesting the lock, the lockdesk will complete the buydown fields in the system before accepting the lock.

Disclosures- The seller funded buydown must be disclosed on the purchase agreement. On GMFS disclosed loans, a copy of the buydown agreement will go out with the initial disclosures and be included in the closing package (sample attached).

Clients not using GMFS issued closing packages must prepare and use the GMFS buydown agreement posted on our website. The agreement must be signed by the borrower, seller, and lender to be eligible for sale to GMFS.

How much does it cost?

The cost to the seller will vary with the loan amount, rate and term. It normally amounts to a little above 2% of the loan amount on 30 year amortizations. An example scenario is below. Most origination systems will have a place to calculate this sum, or GMFS can calculate it for you.

Loan Amount	\$350,000	Loan's Full P&I Payment	\$1,878.88
Interest Rate	5.000%	Year 1	
Term	360	Year 1 Borr Int. Rate	3.000%
Seller contributes all 24 payments in a lump sum as closing costs		Borrower Mo. Payment	\$1,475.61
		Seller paid portion	\$403.26
Total Seller Contribution	\$7,334.20	Year 2	
		Year 2 Borr Int. Rate	4.000%
		Borrower Mo. Payment	\$1,670.95
		Seller paid portion	\$207.92

BUYDOWN AGREEMENT

Loan #: 22085780
Borrower: Buydown Test
CoBorrower: Buydown Spouse
Seller: Bob Builder

PROPERTY ADDRESS: 123 Apple St; Baton Rouge, LA 70806
LOAN AMOUNT: \$225,000.00
NOTE INTEREST RATE: 4.500%

The purpose of this agreement is to explain certain aspects of the Buydown Mortgage Loan for which you, as Borrower, have applied.

This agreement between **GMFS, LLC** and/or its assigns and the below acknowledged parties, set forth the terms of the Buydown Plan in connection with the mortgage loan secured by the property listed above.

BUYDOWN SCHEDULE

NUMBER OF PAYMENTS	BORROWERS NEW INTEREST RATE	SELLERS MONTHLY SUBSIDY AMOUNT	BUYDOWN AMOUNT	TOTAL PRINCIPAL AND INTEREST PAYMENT
12	2.500%	\$251.02	\$3,012.24	\$1,140.04
12	3.500%	\$129.69	\$1,556.28	\$1,140.04

TOTAL BUYDOWN FUND = **\$4,568.52**

In order to comply with FNMA/FHLMC guidelines and protect the availability of the buydown funds, these funds shall be held in an escrow account with a financial institution which is not the original or servicing mortgagee and is supervised by a Federal or State agency. The escrow shall pay over the buydown funds as required by agreement to **GMFS, LLC** and/or its assigns. However, if, for some unforeseen reason, the escrow payments are not forthcoming, it is the Borrower's responsibility to make the total payment set forth in the mortgage note.

The buydown funds may not be used to pay past due payments of the Borrower. The buydown funds will be automatically applied during each payment period to reduce the periodic payment of principal and interest to the extent provided for in this agreement.

If the property is sold by Borrower and the mortgage is prepaid in full during the buydown period, the nondisbursed and available buydown funds shall be credited to the unpaid principal balance of the mortgage.

If the ownership of the property securing this buydown mortgage is sold or transferred during the buydown period and the terms of the buydown mortgage are assumed by the purchaser, any remaining buydown funds are to be used to reduce the mortgage payments of the purchaser in accordance with the buydown schedule.

In the event of a foreclosure of the mortgage, the balance of the buydown funds remaining on deposit with escrow shall be paid to the mortgagee acquiring title to the property and the claim for mortgage insurance benefits must be reduced by the amount in the buydown escrow account.

Except as otherwise provided in this agreement, the buydown funds are not refundable. The Borrower's only interest in the buydown funds is to have them paid over and applied to payments due under the Note along with payments made by Borrower. The Builder/Seller specifically agrees that no repayment of the buydown funds is required.

The sole responsibility of **GMFS, LLC** and/or its assigns and escrow under this agreement, shall be limited to the holding and application of the buydown funds as set forth in this agreement. Such responsibility will terminate upon the depletion of such funds or the application of the funds to the unpaid principal balance of the mortgage as provided for in this agreement.

The parties hereby acknowledge that they have read, undersigned and agree to the above:

Buydown Test

Buydown Spouse