2-1 Buydown vs. Price Reduction

4553 Birmingham Way, Raleigh, NC

$390,000 purchase price | 6.99% note rate | 5% down | 30-year fixed

Equal seller-cost comparison: approximately $8,632

OPTION 1: 2-1 BUYDOWN

Keep purchase price	**$390,000**
Down payment	**$19,500**
Base loan amount	**$370,500**
Year 1 payment	**$1,987/month**
Year 1 savings	**About $476/month**
Year 2 payment	**$2,219/month**
Year 2 savings	**About $244/month**
Years 3-30	**$2,462/month**

OPTION 2: PRICE REDUCTION

Reduced purchase price	**$381,368**
5% down payment	**$19,068**
Base loan amount	**$362,300**
Payment at 6.99%	**$2,408/month**
Monthly savings	**About $55/month**
Price reduction	**$8,632**
Down payment reduced	**About $432**
Payment duration	**Life of loan**

THE BUYER IMPACT

COMPARISON	2-1 BUYDOWN	PRICE REDUCTION
Immediate monthly relief	**About $476/mo in Year 1**	**About $55/mo**
First two years	**About $8,632 total relief**	**About $1,308 total relief**

BOTTOM LINE

For the same approximate seller cost, the 2-1 buydown creates much greater payment relief during the first two years. The price reduction provides a smaller monthly savings that continues for the life of the loan.

Illustration only. Payments are principal and interest and exclude taxes, homeowners insurance, mortgage insurance, HOA dues, and other costs. Actual pricing and buydown cost may vary by lender, loan program, credit profile, lock date, and closing date. Buyer qualification is generally based on the full note rate. Not a commitment to lend.

2-1 Temporary Buydown

Payment comparison for 4553 Birmingham Way, Raleigh, NC

$390,000 purchase price | 6.99% note rate | 5% down | 30-year fixed

Illustration assumes 5% down ($19,500) and a base loan amount of $370,500.

YEAR 1

4.99% effective payment rate

$1,987/mo

Buyer saves about $476/month

YEAR 2

5.99% effective payment rate

$2,219/mo

Buyer saves about $244/month

YEARS 3-30

6.99% note-rate payment

$2,462/mo

Full payment begins

HOW THE 2-1 BUYDOWN WORKS

A seller, builder, or lender funds an estimated $8,632 buydown account at closing. Each month, funds from that account cover the difference between the reduced payment and the full note-rate payment. The buyer still qualifies using the full 6.99% note rate, subject to program and underwriting requirements.

ESTIMATED PAYMENT RELIEF

YEAR 1

$5,710

12 months at 4.99%

YEAR 2

$2,922

12 months at 5.99%

TOTAL

$8,632

24-month buydown account

WHY THIS CAN HELP THE BUYER

- About $476/month lower in Year 1
- About $244/month lower in Year 2
- Predictable step-up before the full payment
- Purchase price remains at $390,000

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