



2/1 BUYDOWN FAQs

Q. Does the payment stream on the LE/CD reflect the reduced payment?

A. No, the payment stream on the LE and CD should reflect a fixed payment. The principal and interest in the Projected Payments section should match the principal and interest reflected on the Note.

Q. Should the principal and interest on the payment letter to the borrower reflect the principal and interest on the Note?

A. No, the principal and interest reflected on the Payment Letter to the borrower should reflect the payment the Borrower is expected to pay. It should match Monthly Payment paid by the Borrower as indicated on the Temporary Buydown Agreement.

Q. In what Section of the LE and CD should the Buydown fee be disclosed?

A. The Buydown subsidy should be disclosed in Section H, Other, since this is not a fee required by the Lender.

Q. What interest rate do you qualify the Borrower?

A. The Borrower is qualified at the Note rate for all products except VA. For VA, the loan application may be underwritten based on the first year's payment amount if there are strong indications that the income used to support the application will increase to cover the yearly increases in loan payments. See Planet Seller Guide for details.

Q. Can the seller of the property, pay for the buydown subsidy on a VA loan?

A. Yes, the seller of the property may pay the buydown subsidy as part of the Seller Concessions.

Q. Can the Lender pay for the buydown subsidy on a FHA loan?

A. Yes. Buydown subsidy can be paid by the borrower, lender, seller or any other third party.

Q. Can you have a buydown on an FHA ARM loan?

A. No. Temporary buydowns are only acceptable on an fixed rate loan; ARMs are ineligible.

Q. Can you have a buydown on an FHA refinance?

A. No. The transaction must be a purchase since FHA only allows a seller to pay the Buydown subsidy.

Q. Is a one year temporary buydown term acceptable.

A. No. The buydown must be for a period of 2 years and scheduled reductions in the payments must occur annually.

Q. If a loan is paid off during the temporary buydown period, what happens to the remaining funds?

A. The funds will be disbursed as determined by the Temporary Buydown Agreement.

Q. If the borrower becomes delinquent; can the loan be brought current using the buydown subsidy?

A. No portion of the Buydown Subsidy shall be disbursed to pay any delinquency or other amount under the Note or Mortgage.

