FAIRWAY®

Rate Rescue+™

Rescue Your Rate

WITH A TEMPORARY BUYDOWN!

What is a temporary buydown?

A temporary buydown is an up-front interest payment that lowers the interest on a fixed-rate mortgage for the first one, two or three years of the mortgage, after which the interest rate reverts to the full note rate for the remainder of the loan.

To cover the difference between the reduced payments made by the borrower and the regular payments received by the lender, a predetermined amount is withdrawn from a special escrow account that is set up for that purpose. The total monthly payment received by the lender, consisting of the payment made by the borrower plus the withdrawal from the established escrow account is the same as it would be in the absence of the temporary buydown.

The table below lists the temporary buydown options by loan type.

	TEMPORARY BUYDOWN TYPE	WHO CAN FUND THE BUYDOWN
Conventional	1/0, 2/1 or 3/2/1*	Seller/Borrower/Lender**
FHA	1/0 or 2/1	Seller
VA	1/0 or 2/1	Seller
USDA	1/0 or 2/1	Seller
Jumbo***	1/0 or 2/1	Seller/Lender**

**A 3/2/1 temporary buydown is only available as a seller-paid buydown. **Lender-paid buydown is only available using premium pricing and may not be available for every scenario. ***Not available through all Jumbo investors.*

How does a 3/2/1 temporary buydown work?

A 3/2/1 temporary buydown is a temporary reduction below note rate of three percent (3%) during the first year, a reduction below note rate of two percent (2%) during the second year of the loan, and a reduction below note rate of one percent (1%) during the third year, after which the interest rate reverts to the full note rate for the remainder of the loan. The interest rate change each year is automatic, and the borrower is not required to requalify for the loan.

Below is an example of the breakdown of a 3/2/1 temporary buydown:

3/2/1 TEMPORARY BUYDOWN PAYMENTS ON A $100,000 LOAN (30-YEAR FIXED-RATE MORTGAGE WITH 6.5% INTEREST RATE, 6.717% APR)			
YEAR	**PAYMENT BY BORROWER**	**PAYMENT FROM ESCROW ACCOUNT**	**PAYMENT RECEIVED BY LENDER**
1	$449.04	$183.03	$632.07
2	$506.69	$125.38	$632.07
3	$567.79	$64.28	$632.07
4–30	$632.07	$0.00	$632.07

How does a 2/1 temporary buydown work?

A 2/1 temporary buydown is a temporary reduction below note rate of two percent (2%) during the first year and a reduction below note rate of one percent (1%) during the second year of the loan, after which the interest rate reverts to the full note rate for the remainder of the loan. The interest rate change from year 1 to 2 is automatic, and the borrower is not required to requalify for the loan.

Below is an example of the breakdown of a 2/1 temporary buydown:

2/1 TEMPORARY BUYDOWN PAYMENTS ON A $100,000 LOAN (30-YEAR FIXED-RATE MORTGAGE WITH 6.5% INTEREST RATE, 6.717% APR)			
YEAR	**PAYMENT BY BORROWER**	**PAYMENT FROM ESCROW ACCOUNT**	**PAYMENT RECEIVED BY LENDER**
1	$506.69	$125.38	$632.07
2	$567.79	$64.28	$632.07
3–30	$632.07	$0.00	$632.07

For the example above, taxes and insurance are not included in the monthly payment.

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How does a 1/0 temporary buydown work?

A 1/0 temporary buydown is a temporary reduction below note rate of one percent (1%) during the first year, after which the interest rate reverts to the full note rate for the remainder of the loan. The interest rate change after the first year is automatic, and the borrower is not required to requalify for the loan.

Below is an example of the breakdown of a 1/0 temporary buydown:

1/0 TEMPORARY BUYDOWN PAYMENTS ON A $100,000 LOAN (30-YEAR FIXED-RATE MORTGAGE WITH 6.5% INTEREST RATE, 6.717% APR)			
YEAR	PAYMENT BY BORROWER	PAYMENT FROM ESCROW ACCOUNT	PAYMENT RECEIVED BY LENDER
1	$567.79	$64.28	$632.07
2–30	$632.07	$0.00	$632.07

For the example above, taxes and insurance are not included in the monthly payment.

Details on the application of the buydown funds under certain circumstances:

1. **If the home goes through foreclosure:**
   If the home goes through foreclosure, the balance remaining in the buydown account will be used to reduce the mortgage debt.
2. **If the mortgage loan is paid in full:**
   If the mortgage is paid in full during the buydown period, any unused buydown funds will be deducted from the final payoff amount due.
3. **If the property is sold:**
   If the property is sold during the buydown period, any unused funds will be deducted from the final payoff amount due.

Note: The borrower will not be relieved of the obligation to make the full monthly mortgage payment required by the terms of the mortgage note if, for any reason, the buydown funds are not available or the buydown funds are not paid. Buydown funds cannot be used to pay past-due payments. A temporary buydown is not the right strategy for all homebuyers. You are strongly encouraged to talk with your Fairway loan originator, who will explain these programs and run scenarios to help you decide whether this strategy meets your needs.

FAIRWAY®
INDEPENDENT MORTGAGE CORPORATION

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