



## **MFM Bulletin: 009-2023**

**Date:** February 28, 2023

**Subject:** Seller Paid Buydowns

MFM is pleased to announce that we will now allow seller paid buydowns! A buydown is a mortgage option where the payment is reduced temporarily, as if the rate was "bought down", but only for the first 1-2 years of the loan. The Note rate remains constant, only the borrower's payment is reduced for the term of the buydown period.

With a buydown, homebuyers are able to purchase a home with lower initial monthly mortgage payments for the first 1-2 years. Funds will be held from the seller's proceeds at closing and are included with the seller concessions negotiated in the purchase contract and subject to agency Interested Party Contributions (IPC) limits.

**Loans may be locked with buydowns beginning March 1<sup>st</sup>, 2023.**

**Buydown Highlights:**

- Seller paid **only**
- 2/1 and 1/0 buydowns available
- All agency programs are eligible (both servicing retained and released)
- Portfolio loans are eligible with Credit Union permission
- Purchase transaction only
- 30-yr. fixed rate terms only
- Members are qualified based on the Note rate, without any consideration of the buydown

**The following LLPAs will be charged on all loans with buydowns:**

- **Conventional: 0.125%**
- **Government: 0.375%**

Attached are MFM's Temporary Buydown Program Guidelines and Blue Sage System Instructions for Buydowns. **The buydown fields in Blue Sage must be completed prior to locking the loan.** We have also provided a Buydown Calculator to help you calculate the amount of the buydown when discussing options with members.

MFM will provide a buydown training session for Credit union partners on **Wednesday, March 8<sup>th</sup>** at 1pm EST, [click here](#) to register!

Please review these materials and bring your buydown questions to the training session on March 8. If you have any questions or concerns, feel free to contact Pam Trudeau (pam.trudeau@memberfirstmortgage.com), Tanya Daniels ([tanya.daniels@memberfirstmortgage.com](mailto:tanya.daniels@memberfirstmortgage.com)) or Alberto Perea ([alberto.perea@memberfirstmortgage.com](mailto:alberto.perea@memberfirstmortgage.com)).

# Temporary Buydown Program

## What is a Buydown?

A buydown is a mortgage option where the payment is reduced temporarily, as if the rate was “bought down”, but only for the first 1-2 years of the loan. The Note rate remains constant, only the borrower’s payment is reduced for the term of the buydown period. With a buydown, homebuyers are able to purchase their homes with lower monthly mortgage payments to start.

## Types of Buydowns We Offer:

1/0 Buydown
Year 1: Interest rate is reduced by 1%
Year 2 and after: Note rate applies

2/1 Buydown
Year 1: Interest rate is reduced by 2%
Year 2: Interest rate is reduced by 1%
Year 3 and after: Note rate applies

## Eligible Programs:

- Fannie Mae – Standard conforming, High Balance and Home Ready (Special Feature code 009).
- Freddie Mac – Conforming, Super Conforming, Home One and Home Possible.
- FHA (APD code 796)
- VA
- USDA

## Transaction Types:

- Purchase transactions only.

## Eligible Products:

- 30 year Fixed rate only.

**Occupancy and Property Types:** Includes Condominiums and PUDS if otherwise eligible.

Conventional	FHA	VA	USDA
<ul style="list-style-type: none"><li>• Primary residence 1-4 family</li><li>• Second home 1 family</li><li>• Manufactured homes not allowed</li></ul>	<ul style="list-style-type: none"><li>• Primary residence 1-4 family</li><li>• Manufactured homes – serviced retained only</li></ul>	<ul style="list-style-type: none"><li>• Primary residence 1-4 family</li><li>• Manufactured homes – serviced retained only</li></ul>	<ul style="list-style-type: none"><li>• Primary residence 1-family</li></ul>

## Eligible Source for Buydown Funds:

- Seller paid only (subject to agency Interested Party Contributions limit). Funds may not come from any other source.
- Lender and Borrower paid buydowns are not allowed.

# Temporary Buydown Program

## Borrower Qualification

- Borrower is qualified based on the Note Rate without any consideration of the buydown for all loan programs.

## Buydown Agreement:

- Buydown Agreement will be signed by the borrower(s) at closing outlining the terms of the buydown.

## Other Requirements:

- Buydown accounts must be fully funded at closing.
- Buydown funds are not refundable.
- Buydown funds cannot be used to pay past-due payments.
- Funds will be transferred to new servicer if loan is servicing released.
- Funds will be applied to the principal balance if loan is paid in full.

## Buydown Examples:

- \$250,000 loan using a 1/0 Buydown (6% Interest Rate, P&I Payment \$1,498.88)

Year	Interest Rate	Monthly Payment	Monthly Difference	Annual Difference
1	5.0	\$1,342.05	\$156.83	\$1,881.96
2	6.0 (No Buydown)	\$1,498.88	\$0	\$0
			Total Buydown Funds	\$1,881.96

- \$250,000 loan using a 2/1 Buydown (6% Interest Rate, P&I Payment \$1,498.88)

Year	Interest Rate	Monthly Payment	Monthly Difference	Annual Difference
1	4.0	\$1,193.54	\$305.34	\$3,364.08
2	5.0	\$1,342.05	\$156.83	\$1,881.96
3	6.0 (No Buydown)	\$1,498.88	\$0	\$0
			Total Buydown Funds	\$5,546.04

## Regulatory Compliance:

Loan Cost and Disclosures
All costs associated with buydown will be disclosed on both the Loan Estimate (charged to borrower with a seller credit for buydown fee) and Closing Disclosure (charged to seller at closing).

QM Points and Fees
Third party (seller) paid buydowns fall under the definition of "seller paid points" and are therefore excluded from the finance charge and points and fees calculation.

# LOS Instructions for Buydowns

## Blue Sage LOS Instructions for Buydowns:

1. Loan Officer prices the loan.
2. Loan Officer selects appropriate buydown plan and clicks "save".
3. Loan Officer adds notes to the system with details regarding the buydown and how much there is for a seller credit.

John Homeowner 0020043402 [Loan Action](#) [Summary](#) [1003](#) [Dates](#) [Status](#) [Conditions](#) [Documents](#) [Other](#) [Actions](#) [Alerts](#) [Exceptions](#) [Send Invite](#)

**Loan Terms**

**Mortgage Type**

\* Application Type: New

\* Lien Type: First Mortgage \* Position: 1

Product Description: Fannie Mae 30 Year Fixed

Mortgage Type: Conventional Mortgage

Pricing Tier: Conforming

Amortization Type: Fixed Rate

Loan Terms: 360 I/O: Balloon:

Investor: IE- W- RT- CONF

ARM Plan:

Loan Program:

Bond Program:

Buydown Plan: 1/0 Rate Reduction Subsidy

\* Buydown Source: 1/1 Rate Reduction Subsidy

\* Loan Purpose: 2/1 Rate Reduction Subsidy

\* Purpose of Refinance: 3/2/1 Rate Reduction Subsidy

Refinance Type:

Texas Refi Type:

\* Documentation Type: Full Doc

Prepayment: No Prepayment

**Other Information**

\* Section of Act:

In House Refi: ☐ Yes ☒ No

**Property Type**

\* Occu: Primary Residence

\* Sub: Detached

\* Property Type: Land

\* Number of Units: 1 Number of Floors: 0

Resale Deed Restrictions:

**Loan Terms**

\* Loan Score: 774

DUI Median Score:

Price/Market Value: \$270,000.00

Value [Estimated]: \$0.00

Value [Actual]: \$243,000

Mortgage Insurance Financed: \$0.00

Total Loan Amount: \$243,000

\* Requested Cash Out Amount:

Renovations Amt (Estimated): \$0.00

**Other Financing Terms**

Concurrent Liens: \$0.00 Max C

Remaining Closed-End Liens: \$0.00

Remaining HELOC Balance: \$0.00 Max C

Combined LTV Ratio: 90.00% HCLTV: 90.00%

Override: Other [Credit Summary](#)

Down Payment Pct: 10.00% [Down Payment Details](#)

Mortgage Insurance [Mortgage Insurance](#)

LTV: 90.00%

**Step 1**  
Loan officer prices the loan


**Step 2**  
Loan Officer selects appropriate Buy Down plan and clicks save

**Step 3**  
Loan Officer adds notes to the System with details regarding the buydown and how much there is for a seller credit

[PREVIOUS](#) [SAVE](#) [CANCEL](#) [NEXT](#)

# LOS Instructions for Buydowns

4. Disclosures reviews notes and verifies fee 0817c is present. **Always click "Calculate Fees"**



Loan Number: 0020043402  
 Primary Borrower: John Homeowner  
 Collateral: 8605 Doe Pass  
 Status: Application - Application - Origination

Total Loan Amount: \$243,000.00  
 Interest Rate: 6.625%  
 LTV/CLTV/HCLTV: 90.00% / 90.00% / 90.00%  
 Property Type: Detached  
 Lock Status: Rate Lock Cancelled

Product: Fannie Mae 30 Year Fixed  
 Program: Primary Residence  
 Occupancy: Purchase  
 Loan Purpose: Lock Expiration: 02/23/23

Ratios: 11.21% / 15.85%  
 Cash To Close: \$37,655.00  
 Settlement Date: 02/01/2023 (Est)  
 Disbursement Date: 02/01/2023

Actions Alerts Exceptions

Home | Tasks | Loans | Task Manager | Lock Desk

Search menu or # to search field labels

**Fees & Closing Costs**

Section	Fee Item	Description	Total Amount	Borrower Amount	Seller Amount	Lender Amount	Other Amount	POC Amount	Finance Charge	Payee	Manually Added	Modified	Distribution Modified
A	0817c	Buydown Payment	\$1,885.32	\$1,885.32	\$0.00	\$0.00	\$0.00	\$0.00					
A	0834	Processing Fee	\$400.00	\$400.00	\$0.00	\$0.00	\$0.00	\$0.00	✓				
A	0821	Underwriting Fee	\$495.00	\$495.00	\$0.00	\$0.00	\$0.00	\$0.00	✓				
B	0804	Appraisal Fee	\$680.00	\$680.00	\$0.00	\$0.00	\$0.00	\$0.00		Incenter Apprai...	Incenter Appraisal Manag...	Appraisal	
B	0824	Asset Verification Fee	\$18.00	\$18.00	\$0.00	\$0.00	\$0.00	\$0.00	✓			Freeform Provider	
B	0805	Credit Report Fee	\$43.50	\$43.50	\$0.00	\$0.00	\$0.00	\$0.00				Credit Reporting	
B	0817	E-Closing Fee	\$35.00	\$35.00	\$0.00	\$0.00	\$0.00	\$0.00	✓			Freeform Provider	
B	0807	Flood Certification Fee	\$8.00	\$8.00	\$0.00	\$0.00	\$0.00	\$0.00	✓			Flood Certification	
B	0815	Insurance Monitoring Fee	\$58.00	\$58.00	\$0.00	\$0.00	\$0.00	\$0.00	✓			Freeform Provider	
B	0806	Tax Service Fee	\$85.00	\$85.00	\$0.00	\$0.00	\$0.00	\$0.00	✓			Tax Service	
B	0813	Verification of Employment Fee	\$100.00	\$100.00	\$0.00	\$0.00	\$0.00	\$0.00	✓			Freeform Provider	✓
C	1104	Lender's Title Insurance	\$947.60	\$947.60	\$0.00	\$0.00	\$0.00	\$0.00		Transnation Titl...	Transnation Title Agency	Title Insurance	
C	1102	Settlement/Closing Fee	\$450.00	\$450.00	\$0.00	\$0.00	\$0.00	\$0.00	✓	Transnation Titl...	Transnation Title Agency	Settlement Agent	
E	1202a	Deed Recording	\$35.00	\$35.00	\$0.00	\$0.00	\$0.00	\$0.00				Freeform Provider	
E	1202b	Mortgage Recording	\$30.00	\$30.00	\$0.00	\$0.00	\$0.00	\$0.00				Freeform Provider	
E	1205	State Tax Stamps	\$2,025.00	\$0.00	\$2,025.00	\$0.00	\$0.00	\$0.00				Freeform Provider	
E	1204	Transfer Tax	\$297.00	\$0.00	\$297.00	\$0.00	\$0.00	\$0.00				Freeform Provider	
F	0903	Hazard Insurance Premium	\$1,200.00	\$1,200.00	\$0.00	\$0.00	\$0.00	\$0.00				Hazard Insurance	✓
F	0901	Prepaid Interest	\$1,235.08	\$1,235.08	\$0.00	\$0.00	\$0.00	\$0.00	✓				
G	1007	Aggregate Adjustment Impounds	-\$1,000.00	-\$1,000.00	\$0.00	\$0.00	\$0.00	\$0.00					
G	1005	City Tax Impounds	\$1,500.00	\$1,500.00	\$0.00	\$0.00	\$0.00	\$0.00					✓
G	1006	County Tax Impounds	\$500.00	\$500.00	\$0.00	\$0.00	\$0.00	\$0.00					✓
G	1002	Hazard Insurance Impounds	\$400.00	\$400.00	\$0.00	\$0.00	\$0.00	\$0.00					✓
H	1103	Owner's Title Insurance (Optional)	\$1,549.50	\$1,549.50	\$0.00	\$0.00	\$0.00	\$0.00		Transnation Titl...	Transnation Title Agency	Title Insurance	
Total Fees & Closing Costs:			\$12,977.00	\$10,655.00	\$2,322.00	\$0.00	\$0.00	\$0.00					

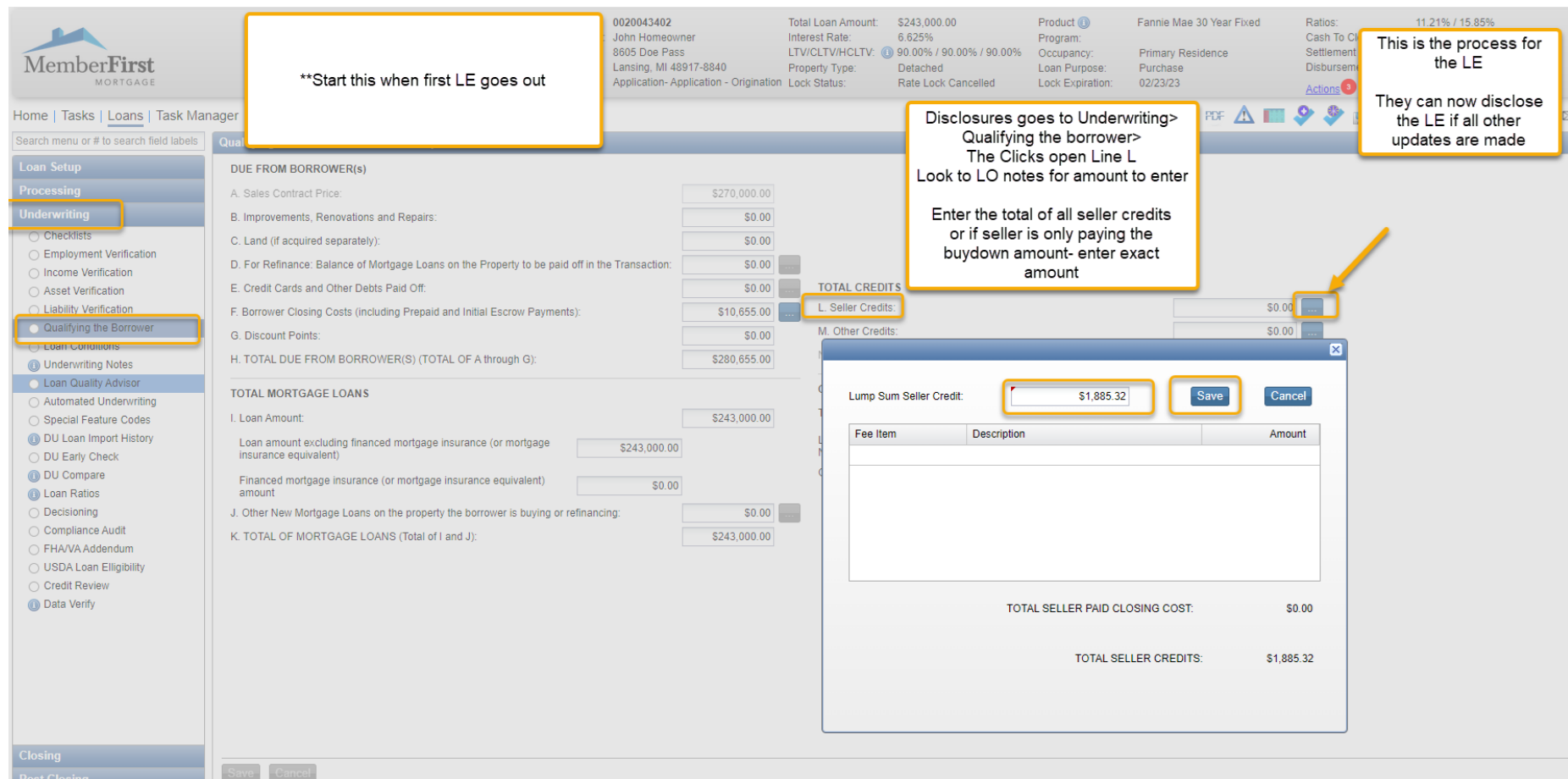
Disclosures reviews notes and verifies fee 0817c is present here

Always hit Calculate fees

# LOS Instructions for Buydowns

## Once the Loan Estimate (LE) goes out:

5. Disclosures will go to the Underwriting menu and select "Qualifying the Borrower"
6. Open line "L. Seller Credits"
7. Look to LO Notes for the amount to enter, enter the total of all seller credits. If the seller is only paying the buydown amount, enter the exact amount.



**\*\*Start this when first LE goes out**

0020043402  
John Homeowner  
8605 Doe Pass  
Lansing, MI 48917-8840  
Application - Application - Origination

Total Loan Amount: \$243,000.00  
Interest Rate: 6.625%  
LTV/CLTV/HCLTV: 90.00% / 90.00% / 90.00%  
Property Type: Detached  
Lock Status: Rate Lock Cancelled

Product: Fannie Mae 30 Year Fixed  
Program: Primary Residence  
Occupancy: Purchase  
Loan Purpose: Purchase  
Lock Expiration: 02/23/23

Ratios: 11.21% / 15.85%  
Cash To Close  
Settlement  
Disbursement

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Search menu or # to search field labels

Loan Setup  
Processing  
**Underwriting**

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- Asset Verification
- Liability Verification
- Qualifying the Borrower**
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- Automated Underwriting
- Special Feature Codes
- DU Loan Import History
- DU Early Check
- DU Compare
- Loan Ratios
- Decisioning
- Compliance Audit
- FHA/VA Addendum
- USDA Loan Eligibility
- Credit Review
- Data Verify

**DUE FROM BORROWER(S)**

A. Sales Contract Price:	\$270,000.00
B. Improvements, Renovations and Repairs:	\$0.00
C. Land (if acquired separately):	\$0.00
D. For Refinance: Balance of Mortgage Loans on the Property to be paid off in the Transaction:	\$0.00
E. Credit Cards and Other Debts Paid Off:	\$0.00
F. Borrower Closing Costs (including Prepaid and Initial Escrow Payments):	\$10,655.00
G. Discount Points:	\$0.00
H. TOTAL DUE FROM BORROWER(S) (TOTAL of A through G):	\$280,655.00

**TOTAL MORTGAGE LOANS**

I. Loan Amount:	\$243,000.00
Loan amount excluding financed mortgage insurance (or mortgage insurance equivalent)	\$243,000.00
Financed mortgage insurance (or mortgage insurance equivalent) amount	\$0.00
J. Other New Mortgage Loans on the property the borrower is buying or refinancing:	\$0.00
K. TOTAL OF MORTGAGE LOANS (Total of I and J):	\$243,000.00

**TOTAL CREDITS**

L. Seller Credits:	\$0.00
M. Other Credits:	\$0.00

**Disclosures goes to Underwriting> Qualifying the borrower> The Clicks open Line L Look to LO notes for amount to enter**

**Enter the total of all seller credits or if seller is only paying the buydown amount- enter exact amount**

**This is the process for the LE**

**They can now disclose the LE if all other updates are made**

**Lump Sum Seller Credit:** \$1,885.32 **Save** **Cancel**

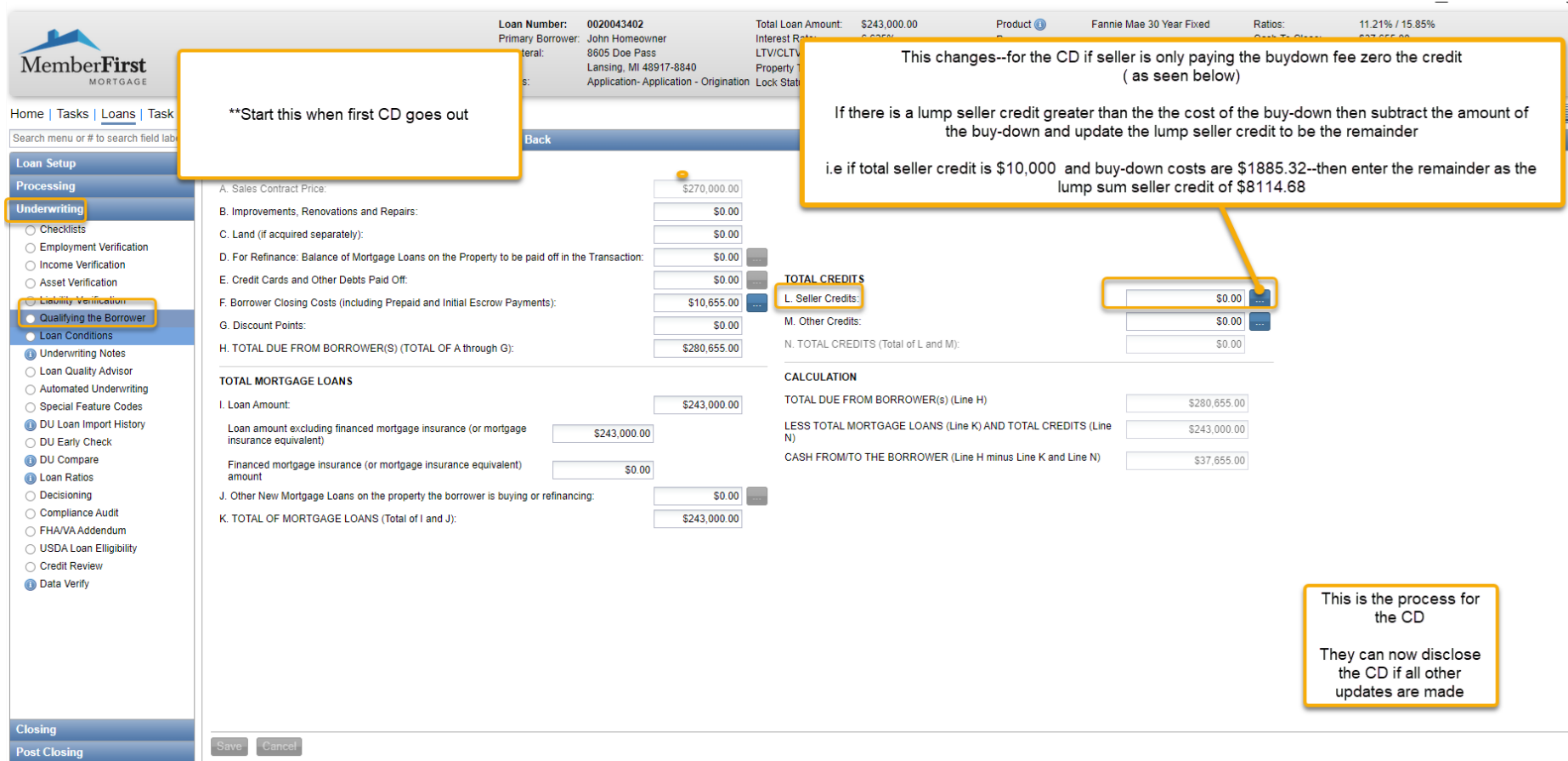
Fee Item	Description	Amount
TOTAL SELLER PAID CLOSING COST: \$0.00		
TOTAL SELLER CREDITS:		\$1,885.32

# LOS Instructions for Buydowns

## Once the CD goes out:

8. If there is a lump seller credit greater than the cost of the buydown, subtract the amount of the buydown and update the lump seller credit to be the remainder.

Example: If total seller credit is \$10,000 and the buydown costs are \$1,885.32; enter the remainder as the lump sum seller credit of \$8,114.68.



**Loan Number:** 0020043402  
**Primary Borrower:** John Homeowner  
**Address:** 8605 Doe Pass, Lansing, MI 48917-8840  
**Product:** Fannie Mae 30 Year Fixed  
**Ratios:** 11.21% / 15.85%

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☒ **Qualifying the Borrower**  
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☐ FHA/VA Addendum  
☐ USDA Loan Eligibility  
☐ Credit Review  
☒ **Data Verify**

**Back**

**\*\*Start this when first CD goes out**

**A. Sales Contract Price:** \$270,000.00  
**B. Improvements, Renovations and Repairs:** \$0.00  
**C. Land (if acquired separately):** \$0.00  
**D. For Refinance: Balance of Mortgage Loans on the Property to be paid off in the Transaction:** \$0.00  
**E. Credit Cards and Other Debts Paid Off:** \$0.00  
**F. Borrower Closing Costs (including Prepaid and Initial Escrow Payments):** \$10,655.00  
**G. Discount Points:** \$0.00  
**H. TOTAL DUE FROM BORROWER(S) (TOTAL OF A through G):** \$280,655.00

**TOTAL MORTGAGE LOANS**  
**I. Loan Amount:** \$243,000.00  
 Loan amount excluding financed mortgage insurance (or mortgage insurance equivalent): \$243,000.00  
 Financed mortgage insurance (or mortgage insurance equivalent) amount: \$0.00  
**J. Other New Mortgage Loans on the property the borrower is buying or refinancing:** \$0.00  
**K. TOTAL OF MORTGAGE LOANS (Total of I and J):** \$243,000.00

**TOTAL CREDITS**  
**L. Seller Credits:** \$0.00  
**M. Other Credits:** \$0.00  
**N. TOTAL CREDITS (Total of L and M):** \$0.00

**CALCULATION**  
**TOTAL DUE FROM BORROWER(s) (Line H):** \$280,655.00  
**LESS TOTAL MORTGAGE LOANS (Line K) AND TOTAL CREDITS (Line N):** \$243,000.00  
**CASH FROM/TO THE BORROWER (Line H minus Line K and Line N):** \$37,655.00

**Save Cancel**

**This changes--for the CD if seller is only paying the buydown fee zero the credit (as seen below)**  
 If there is a lump seller credit greater than the the cost of the buy-down then subtract the amount of the buy-down and update the lump seller credit to be the remainder  
 i.e if total seller credit is \$10,000 and buy-down costs are \$1885.32--then enter the remainder as the lump sum seller credit of \$8114.68

**This is the process for the CD**  
 They can now disclose the CD if all other updates are made

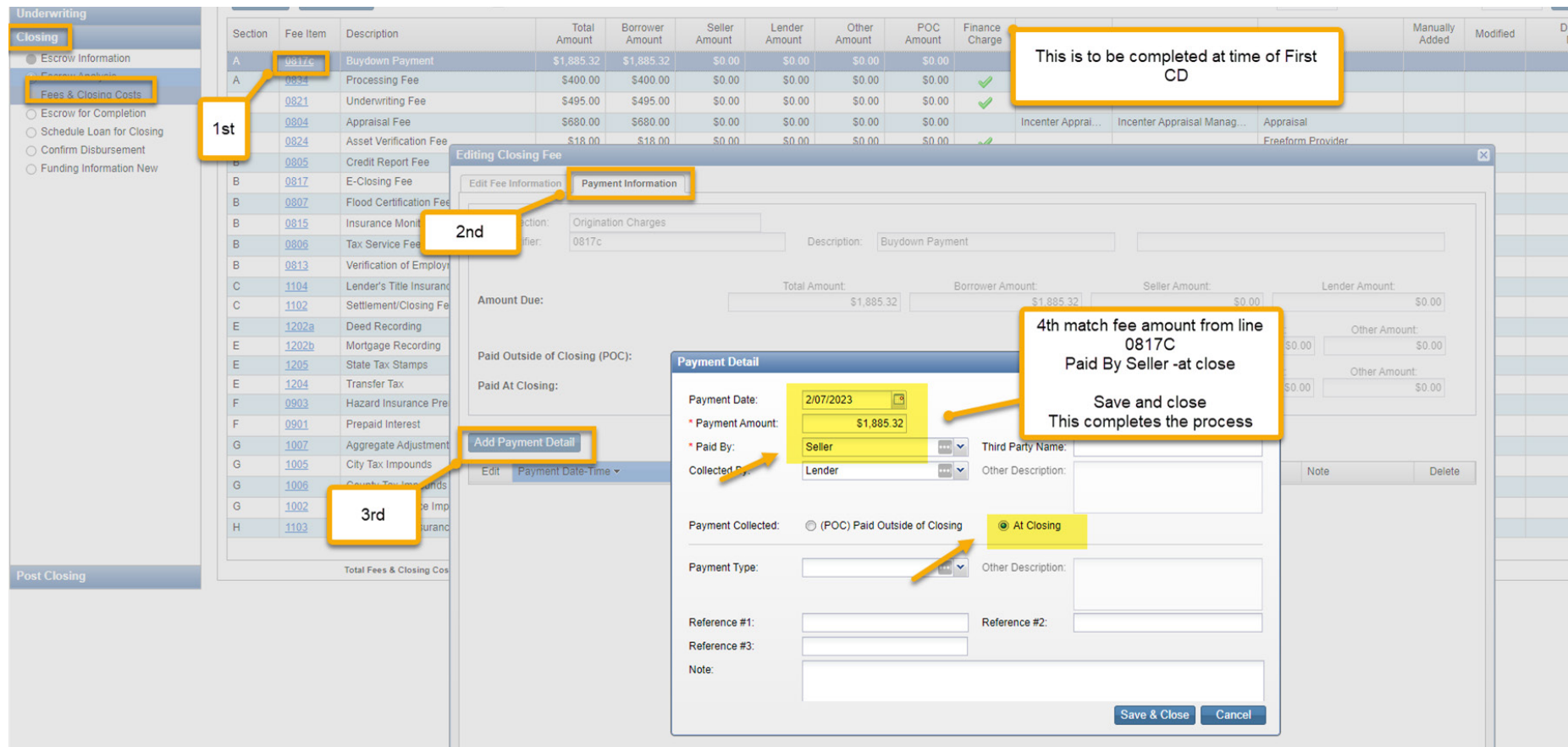


# LOS Instructions for Buydowns

## At the time of the First CD:

9. In the Closing menu, select "Fees & Closing Costs"

- Select Fee Item "0817c"
- Select "Payment Information" in the "Editing Closing Fee" popup
- Select "Add Payment Detail" and match the "Payment Amount" to the fee amount from line 0817c
- Select "Seller" from the dropdown menu for "Paid By:" and select "At Closing" for "Payment Collected:"
- Select "Save & Close", this completes the process!



The screenshot displays the 'Closing' menu with 'Fees & Closing Costs' selected. A table lists various fee items, with '0817c' (Buydown Payment) highlighted. A callout box states: 'This is to be completed at time of First CD'.

The 'Editing Closing Fee' popup is open for item '0817c'. A callout box labeled '2nd' points to the 'Payment Information' tab. The 'Amount Due' is \$1,885.32. A callout box labeled '4th match fee amount from line 0817C Paid By Seller -at close' points to the 'Payment Detail' popup.

The 'Payment Detail' popup shows the following fields:

- Payment Date: 2/07/2023
- \* Payment Amount: \$1,885.32
- \* Paid By: Seller
- Collected By: Lender
- Payment Collected: ☒ (POC) Paid Outside of Closing ☒ At Closing
- Payment Type: (blank)
- Reference #1: (blank)
- Reference #3: (blank)
- Note: (blank)

Buttons at the bottom of the popup are 'Save & Close' and 'Cancel'. A callout box labeled '3rd' points to the 'Add Payment Detail' button in the 'Editing Closing Fee' popup. Another callout box states: 'Save and close This completes the process'.