

<p><b>Temporary Buydown Defined</b></p>	<p>A temporary buydown is an option that creates a funded buydown account that is used to temporarily reduce the borrower’s monthly payment during the initial year(s) of the loan. The Note Rate remains constant; only the borrower’s payment is reduced.</p>		
<p><b>Temporary Buydown Overview</b></p>	<p><u><a href="#">Program Summary</a></u> This <i>Temporary Buydown Product Guide</i> provides information regarding Loan Eligibility, Documentation, and Compliance requirements for loans with temporary buydown features. For additional information, see the applicable program guide.</p>		
	<p><u><a href="#">Loan Eligibility Guidelines</a></u></p>		
	<p><b>Loan Eligibility</b></p>		
	<p><b>Eligible Account Source - Contributor</b></p>	<ul style="list-style-type: none"> <li>• Interested Party Contribution (subject to applicable Agency Interested Party Contribution limits)</li> </ul> <p><u>Borrower funded buydowns are not permitted</u></p>	
	<p><b>Eligible Buydown Types</b></p>	<p><u>2-1 Buydown</u></p> <ul style="list-style-type: none"> <li>• Payment calculated at 2% below the Note Rate for the first year</li> <li>• Payment calculated at 1% below the Note Rate for the second year</li> <li>• Payment calculated at the Note Rate for years three through maturity</li> </ul> <p><u>1-0 Buydown</u></p> <ul style="list-style-type: none"> <li>• Payment calculated at 1% below the Note Rate for the first year</li> <li>• Payment calculated at the Note Rate for years two through maturity</li> </ul> <p><u>Requirements vary by Agency.</u></p>	
	<p><b>Eligible Programs</b></p>	<ul style="list-style-type: none"> <li>• Fannie Mae – Standard Conforming Balance, Standard High-Balance, HomeReady®</li> <li>• Freddie Mac – Conforming, Super Conforming, Home Possible®</li> <li>• FHA – Standard</li> <li>• VA</li> </ul>	
<p><b>Eligible Products</b></p>	<ul style="list-style-type: none"> <li>• <u>30-Year Fixed Rate</u></li> </ul>		

## TEMPORARY BUYDOWN – LOAN REQUIREMENTS

References to Agency Guidelines are included for reader convenience and are not intended to represent the entire Agency requirement.

Topics	Fannie Mae <i>B2-1.3-05, B3-4.1-02</i>	Freddie Mac <i>4204.4, 4501.5</i>	FHA <i>4000.1.II.A.6.a</i>	VA <i>Ch. 7</i>
<b>Borrower Qualification</b>	The borrower must be qualified based on the Note rate without consideration of the bought-down rate.	<ul style="list-style-type: none"> <li>The Borrower must be qualified using monthly payments calculated at the Note Rate.</li> <li>If reserves are required, the reserves must be calculated using the Note Rate.</li> </ul>	The Note Rate must be used when calculating principal and interest for Mortgages that involve a temporary interest rate buydown.	The borrower must be qualified based on the Note rate without consideration of the bought-down rate.
<b>Transaction Types</b>	<ul style="list-style-type: none"> <li>Purchase</li> <li>Rate &amp; Term Refinance (Limited Cash-Out)</li> </ul>	<ul style="list-style-type: none"> <li>Purchase</li> <li>No Cash-Out Refinance</li> </ul> <p><i>(Not Permitted with a Buydown plan funded from a lender credit derived from an increase in the interest rate)</i></p>	<ul style="list-style-type: none"> <li>Purchase</li> </ul> <p><i>(Refinance transactions are not eligible, including Streamline Refinances)</i></p>	<ul style="list-style-type: none"> <li>Purchase</li> </ul> <p><i>(VA IRRRL and Cash-Out Refinances are not eligible)</i></p>
<b>Occupancy and Property Type</b> (Includes Condominiums and PUDs if otherwise eligible)	<b>Standard Conforming and High Balance</b>	<b>Conforming and Super Conforming</b>	<ul style="list-style-type: none"> <li>Primary Residence (1-4 Units)</li> <li>Second Home (1 Unit)</li> </ul>	<ul style="list-style-type: none"> <li>Primary Residence (1-4 Units)</li> </ul>
	<b>HomeReady</b>	<b>Home Possible</b>		
	<ul style="list-style-type: none"> <li>Primary Residence (1-4 Units)</li> <li>Second Home (1 Unit)</li> </ul>	<ul style="list-style-type: none"> <li>Primary Residence (1-4 Units)</li> <li>Second Home (1 Unit)</li> </ul>		
	<ul style="list-style-type: none"> <li>Primary Residence (1 Unit)</li> </ul>	<ul style="list-style-type: none"> <li>Principal Residence (1 Unit)</li> </ul>		