



TEMPORARY BUYDOWN PRODUCT GUIDE

August 31, 2020

Temporary Buydown Defined	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.		
Temporary Buydown Overview	Program Summary This <i>Temporary Buydown Product Guide</i> provides AmeriHome Sellers with information regarding Loan Eligibility, Documentation, and Compliance requirements for loans with temporary buydown features. For additional information, see the applicable program guide.		
	Loan Eligibility Guidelines		
	Loan Eligibility		
	Eligible Account Source -Contributor	<ul style="list-style-type: none"> • Lender Funded (program permitting) • Interested Party Contribution (subject to applicable Agency Interested Party Contribution limits) • Combination of Lender Funded and Interested Party Contribution • <u>Borrower funded buydowns are not permitted</u> 	
	Eligible Buydown Types	<u>2-1 Buydown</u> <ul style="list-style-type: none"> • Payment calculated at 2% below the Note Rate for the first year • Payment calculated at 1% below the Note Rate for the second year • Payment calculated at the Note Rate for years three through maturity <u>1-0 Buydown</u> <ul style="list-style-type: none"> • Payment calculated at 1% below the Note Rate for the first year • Payment calculated at the Note Rate for years two through maturity Requirements vary by Agency; see the applicable AmeriHome program guide.	
	Eligible Programs	<ul style="list-style-type: none"> • Fannie Mae – Standard Conforming Balance, Standard High-Balance, HomeReady® • Freddie Mac – Conforming, Super Conforming, Home Possible® • FHA – Standard • VA • USDA 	
	Eligible Products	<ul style="list-style-type: none"> • <u>30-Year Fixed Rate</u> 	
	Eligible Commitment Types	<ul style="list-style-type: none"> • Best Efforts, Bulk Trade, and Bulk Assignment of Trade (Bulk AOT) commitments are eligible. • For loans in Bulk Trade and Bulk AOT commitments, the bid tape must indicate “Temporary Buydown”. 	
Eligible Underwriting Program	<ul style="list-style-type: none"> • Correspondent Delegated Underwriting • Correspondent Non-Delegated Underwriting 		

TEMPORARY BUYDOWN - LOAN REQUIREMENTS

AmeriHome overlays are underlined.

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

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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>	USDA <i>Ch. 11.5</i>
Borrower Qualification	The lender must qualify the borrower based on the Note rate without consideration of the bought-down rate.	<ul style="list-style-type: none"> The Borrower must be qualified using monthly payments calculated at the Note Rate. If reserves are required, the reserves must be calculated using the Note Rate. 	The Mortgagee must use the Note rate when calculating principle and interest for Mortgages that involve a temporary interest rate buydown.	<u>The lender must qualify the borrower based on the Note rate without consideration of the bought-down rate.</u>	The mortgage loan must be underwritten at the Note rate.
Transaction Types <i>8/31/2020</i>	<ul style="list-style-type: none"> Purchase Limited Cash-Out (Rate and Term) Refinance 	<ul style="list-style-type: none"> Purchase No Cash-Out Refinance (Not Permitted with a Buydown plan funded from a lender credit derived from an increase in the interest rate) 	<ul style="list-style-type: none"> Purchase Refinance transactions are not eligible, including Streamline Refinances 	<ul style="list-style-type: none"> Purchase VA IRRRLs are not eligible Cash-Out Refinances are not eligible 	<ul style="list-style-type: none"> Purchase Rate and Term Refinance Streamlined Refinances are not eligible
Occupancy and Property Type (Includes Condominiums and PUDs if otherwise eligible)	Standard Conforming and High Balance <ul style="list-style-type: none"> Principal Residence (1- to 4- Units) Second Home (1 Unit) HomeReady <ul style="list-style-type: none"> Principal Residence (1 Unit) 	Conforming and Super Conforming <ul style="list-style-type: none"> Principal Residence (1- to 4- Units) Second Home (1 Unit) Home Possible <ul style="list-style-type: none"> Principal Residence (1 Unit) 	<ul style="list-style-type: none"> Principal Residence (1- to 4- Units) Second Home (1 Unit) 	<ul style="list-style-type: none"> Principal Residence (1- to 4-Units) 	<ul style="list-style-type: none"> Principal Residence (1 Unit)

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Loan Documentation

Buydown Agreement	<p>For all eligible transactions, in all products and programs:</p> <ol style="list-style-type: none"> 1. Written Agreement: <u>The buydown plan must be a written agreement between the party providing the buydown funds and the borrower.</u> 2. Provided at time of Submission: A copy of the executed buydown agreement must be included in the loan file prior to purchase. 3. Calculation: <u>The buydown agreement must clearly show</u> <ul style="list-style-type: none"> o <u>the Seller's calculations of the total cost of the temporary subsidy buydown,</u> o <u>any interested party contribution, and</u> o <u>The annual percentage increase in the Borrower's monthly principal and interest payment.</u> 4. Relief from Obligation: <u>The buydown agreement must provide that the Borrower will not be relieved of the obligation to make the full monthly Mortgage payments 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.</u> 5. Terms Disclosed to Mortgage Insurer and Appraiser: <u>All of the terms of the buydown agreement must be disclosed to the mortgage insurer and the property appraiser, if applicable.</u> 6. Return of Funds: <u>Buydown agreements that allow for the return of the buydown funds to the Lender/Seller are not eligible.</u> <p>In addition to the requirements above, additional Agency requirements apply. See the applicable program guide for complete requirements for the Buydown Agreement.</p>
Mortgage Instruments	<ul style="list-style-type: none"> • The mortgage instruments must reflect the permanent payment terms rather than the terms of the buydown plan. • No references to the buydown plan are permitted in the: <ul style="list-style-type: none"> o Note, o Security Instruments, and/or o Riders. • In no event may the buydown plan change the terms of the Mortgage Note, Security Instrument, or Riders. <p>In addition to the requirements above, additional Agency requirements apply. See the applicable program guide for complete requirements for the mortgage instruments.</p>

Regulatory Compliance

Overview	<p>The following represents AmeriHome's interpretation of certain regulations as they pertain to temporary buydowns and should not be construed as legal advice. The regulatory guideline sections cited within this document are solely for reader's convenience. Sellers are advised to consult their legal and compliance departments for further clarification.</p>
Credit Contract	<p><i>Regulation Z, 1026.17(c)(1), Comment 2</i> states in part, "The legal obligation normally is presumed to be contained in the Note or contract that evidences the agreement between the consumer and the creditor." As noted above, AmeriHome, as well as Fannie Mae and Freddie Mac, does not permit for a buydown agreement that changes the terms of the Mortgage Note. As such, AmeriHome's interpretation is that the buydown agreement does not modify the legal obligation between the consumer and the creditor, and that the Mortgage Note represents the legal obligation.</p>
Finance Charge and Related Disclosures	<p>AmeriHome requires finance charge and related disclosures to be based on the terms of the legal obligation between the consumer and the creditor (the Note), and not based on the buydown agreement terms. The buydown agreement and/or its terms must not be reflected in the Note, Security Instrument, or Riders, and they do not modify the terms of the Note, Security Instrument, or Riders. See <i>Reg Z, 1026.17(c)(1), Comment 4.ii and 1026.17(c)(1), Comment 3.ii</i>.</p>
Loan Costs-Disclosures	<p>However, despite the above guidance for buydowns not reflected in the credit contract, <i>Reg Z § 1026.38(f)</i> also states in part, "all loan costs associated with the transaction" should be disclosed. As the buydown amount is considered a cost associated with the settlement transaction, in an abundance of caution, AmeriHome requires the buydown amount to be disclosed. Following are examples of ways to disclose temporary buydown paid amounts that AmeriHome would find acceptable:</p> <ul style="list-style-type: none"> • Lender paid buydown amounts may be disclosed either in the "Paid by Others" column of Section A or H, or by including it as a general lender credit in section J. • Third-Party paid buydown amounts may be disclosed in the "Seller-Paid" column of Section A or H and reflected as a credit in the summaries of transactions (Lines L.05 and N.08). See <i>§1026.38(j) and (k)</i>. • Split-Funded paid buydown amounts may be disclosed as referenced above for both the Lender and/or each Interest Party Contributor respectively.
QM Points and Fees	<ul style="list-style-type: none"> • Lender Funded Buydowns: For buydowns that are either, in whole or in part lender funded with premium pricing, the finance charge related disclosures based on the Note rate must already include these interest buydown amounts, therefore as they fall under the definition of "Interest or time-price differential" they are excluded from the finance charge and the points and fees calculation. See <i>Reg Z § 1026.32(b)(1)(i)(A)</i>. • Third-Party Funded Buydowns [Interested Party Contribution]: For buydowns that are either in whole or in part funded with an Interested Party Contribution, they fall under the definition of "Seller's points," and are therefore excluded from the finance charge and the points and fees calculation. See <i>§ 1026.4(c)(5)</i>.

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Loan Purchase Process

Required Funds for Buydown Account

In addition, to the above listed requirements:

- Seller is required to have accurately calculated and disclosed the required buydown funding amount in the buydown agreement. AmeriHome may review and correct the calculation if needed.
- The funds required for the buydown account will be shown on the Purchase Advice and withheld from the wire.
 - For Loans where the first payment is due to AmeriHome, the entire required buydown amount will be withheld.
 - For Loans where the Seller will be interim servicing, the applicable prorated portion of the required buydown amount will be withheld.