



Temporary Buydown FAQ's

This document provides answers to frequently asked questions about U.S. Bank Home Mortgage's temporary buydown policy.

Eligibility

Refer to the Correspondent Seller Guide, Section 500: Mortgage Programs for program specific requirements.

1. What product types allow for a temporary buydown?

- Conventional Agency Fixed Rate (including super conforming/high balance and U.S. Bank non-conforming)
- FHA Fixed Rate
- VA Fixed Rate
- Home Ready / Home Possible

2. What temporary buydown structures are allowed?

- 3 – 2 – 1
- 2 – 1
- 1 – 0

3. What is the maximum duration for a temporary buydown?

The duration of the temporary buydown cannot exceed 36 months.

4. What is the rate reduction maximum?

The rate reduction cannot exceed 3%.

5. What is the annual increase maximum?

The annual increase cannot exceed 1% per 12-month interval.

6. What property types are allowed with a temporary buydown?

Conventional Agency:

- Primary Residence or Second Vacation Home
 - 1 or 2 Units
 - *Manufactured Home
- *Not allowed for Texas(a)6*

Home Ready / Home Possible / FHA / VA

- Primary Residence
- 1 Unit



This document is not a Consumer Credit Advertisement and is intended for Correspondent Client Use Only. This information is provided to assist Correspondent Clients and is not a consumer credit advertisement as defined by Regulation Z. Loans are subject to normal credit qualification and program guidelines. Not all loan programs are available in all states for all loan amounts. Interest rates and program terms are subject to change without notice. Visit usbank.com to learn more about U.S. Bank products and services. Mortgage products are offered by U.S. Bank National Association. Deposit products offered by U. S. Bank National Association, Member FDIC. ©2022 U.S. Bank.

CAT 16824361 | Doc Master 01780015

7. Is a temporary buydown fee considered a finance charge?

A temporary buydown fee is considered a finance charge and is included in the points and fees test.

8. Will U.S. Bank allow a temporary buydown for a refinance transaction?

Conventional agency

- Home Ready and Home Possible products allow for a temporary buydown for a purchase transaction only.

9. Is there a maximum DTI requirement?

The maximum DTI for a non-delegated loan that includes a temporary buydown is 43%. Delegated loans will follow product guideline DTIs.

10. What rate is used to qualify the borrower?

Fixed Rate: Borrower is qualified using the original Note rate

11. How is a temporary buydown locked?

- Conventional and VA loans with a temporary buydown should be locked under the standard, applicable loan program.
- FHA loans with a temporary buydown should be locked under loan program 1004 FHA Temp Buydown.
- The Buydown Option field should be completed for all loans in [Lender Portal at time of registration](#).

12. How are buydown funds disbursed if the mortgage is pre-paid in full during the buydown period?

The non-disbursed and available buydown funds are applied according to the buydown agreement.

Documentation

13. Is a temporary buydown agreement required?

U.S. Bank does require a separate buydown agreement to be executed between parties.

14. Should the Note reflect the buydown terms?

No, the note must reflect the permanent terms for the Interest Rate and Principal & Interest payment rather than the terms of the buydown. If the Note reflects the buydown terms, the loan **will** be ineligible for purchase.

15. Where is the buydown disclosed on the Integrated Disclosures (Loan Estimate/Closing Disclosure)?

Clear placement of the buydown subsidy is acceptable

- Section A. Loan Origination (lender or seller column)
- Section H. Other
- Summaries of Transactions – Sections L or N



This document is not a Consumer Credit Advertisement and is intended for Correspondent Client Use Only. This information is provided to assist Correspondent Clients and is not a consumer credit advertisement as defined by Regulation Z. Loans are subject to normal credit qualification and program guidelines. Not all loan programs are available in all states for all loan amounts. Interest rates and program terms are subject to change without notice. Visit usbank.com to learn more about U.S. Bank products and services. Mortgage products are offered by U.S. Bank National Association. Deposit products offered by U. S. Bank National Association, Member FDIC. ©2022 U.S. Bank.

CAT 16824361 | Doc Master 01780015

16. Should the payment stream on the LE/CD reflect the reduced payment?

No, the LE/CD must reflect the permanent terms for the Interest Rate and P&I payment rather than the terms of the buydown. If the LE/CD reflects the buydown terms, the loan may be ineligible for purchase. For regulatory guidance, refer to Regulation Z, section 1026.17(c)(1), official comments 3(ii) and 4(ii).

17. Should the First Payment Letter reflect the Principal & Interest payment disclosed on the Note?

Yes, the First Payment Letter should reflect the full P&I payment disclosed on the Note.

Contributors

18. Which parties to the transaction can contribute to a temporary buydown?

The seller, lender, or 3rd party can contribute to the buydown. U.S. Bank will not allow a borrower to contribute toward a temporary buydown.

19. Can a temporary buydown be paid by multiple parties?

Yes. A temporary buydown could be split between interested parties (seller, lender, builder, real estate agent).

20. Do buydown funds paid by a Seller, Lender, or 3rd party count toward interested party contributions?

Yes, buydown funds must be included in interested party contribution limits.

