2-1 Buydowns and Discount Points

Two ways to buy a lower payment, and when each makes sense.

PERMANENT BUYDOWN (POINTS)

Pay more at closing to lower your rate for the life of the loan. Worth it when you will keep the loan long enough for the monthly savings to repay the upfront cost, often several years.

TEMPORARY 2-1 BUYDOWN

The payment is calculated at 2% below your note rate in year one and 1% below in year two, then goes to the full rate. The cost is often paid by the seller as a negotiated credit, which makes it a favorite in slower markets.

WHICH ONE?

Planning to refinance or move within a few years? The temporary buydown usually wins, especially seller paid. Staying put for the long haul? Compare points against just banking the cash.

ASK THESE QUESTIONS

- **Who pays: me or the seller?**
- **What is the breakeven month on points?**
- **Will I realistically refinance before breakeven?**
- **What does the payment look like each year?**

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