



Rate Buydown Strategy

With a full shift in power from a seller's market to a buyer's market, both sellers and buyers need to reevaluate the best approach to a transaction. The examples below illustrate how a simple seller credit towards the buyer's Interest Rate can produce significant monthly savings for the buyer.

	Full Price	Price Reduction	Seller Buydown
Sales Price	\$350,000	\$341,600	\$350,000
Down Payment %	20%	20%	20%
Loan Amount	\$280,000	\$273,280	\$280,000
Program	5/1 Interest Only	5/1 Interest Only	5/1 Interest Only
Rate	6.250%	6.250%	5.000%
Term	10	10	10
Payment	\$1,758.33	\$1,723.33	\$1,466.67
Income to Qualify	\$4,395.83	\$4,308.33	\$3,666.67
Monthly Savings		\$35.00	\$291.67

In this example we used 3 in points or \$8,400 to buy down the interest rate from 6.250% to 5.000% resulting in a net savings of \$291.67 per month.

Also, the points are a tax deduction in the year the property is purchased for the buyer. Please consult your CPA for specific information.

This example is to show you the power of reducing Rate versus Price. Let's meet and discuss how this strategy can help you finance or sell the home of your dreams!

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