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YOUR MONTHLY GUIDE TO
HOMEOWNERSHIP WEALTH AND COMMUNITY

BUYING DOWN YOUR INTEREST RATE
IS IT WORTH IT?

Lowering your interest rate can mean big savings—but buying it down comes with upfront costs.

The key is understanding how it works, the options you have, and whether it makes sense for you.

Let's break it down.

WHAT DOES IT MEAN TO BUY DOWN YOUR RATE?

Buying down your rate means paying an upfront fee at closing in exchange for a lower interest rate on your loan. This reduces your monthly payment and the total interest you'll pay over the life of the loan.

YOUR OPTIONS

THERE ARE TWO COMMON WAYS TO BUY DOWN YOUR RATE:

RATE BUYDOWN

Lowers your interest rate for the entire life of the loan.

- Higher upfront cost
- Lower monthly payment
- Long-term savings

TEMPORARY BUYDOWN

Lowers your rate for the first 1, 2, or 3 years.

- Lower upfront cost
- Payment increases later
- Good for short-term plans

HOW IT WORKS

You pay a percentage of your loan amount upfront (at closing). The lender credits that amount toward a lower interest rate.

The more you pay upfront, the lower your rate—and your monthly payment.

IS IT WORTH IT? CONSIDER THESE QUESTIONS:

- How long do you plan to stay in the home?
- Will the monthly savings outweigh the upfront cost?
- Do you have enough cash reserves after closing?
- Are you buying in a competitive market where every dollar counts?

The longer you stay in the home, the more likely you are to come out ahead. For shorter stays, a temporary buydown may be the smarter move.

SAMPLE SCENARIO

	NO BUYDOWN	1% BUYDOWN (PERMANENT)
Loan Amount	$300,000	$300,000
Interest Rate	6.500%	5.500%
Upfront Cost	$0	$6,000 (approx.)
Monthly Payment	$1,896	$1,703
Monthly Savings	—	$193
Break-Even Point	—	About 31 months

In this example, if you plan to stay in the home longer than 31 months, buying down your rate could save you money in the long run.

WHO CAN PAY TO BUY DOWN THE RATE?

You have options! The cost can be paid by:

YOU
Using your own funds at closing

THE SELLER
As a negotiation incentive

A LENDER CREDIT
Offered by some lenders

A COMBINATION
Of the options above

KEEP IN MIND

- Upfront costs are typically non-refundable.
- Rates can't be changed after closing.
- Always compare the cost vs. the long-term savings.

OUR ADVICE

Buying down your interest rate can be a smart financial move—when it aligns with your timeline and goals. We'll help you run the numbers and choose the best strategy for your situation.

Smart decisions today lead to stronger futures.
We're here to open doors and walk with you every step.

Opening Doors Together

Your home is one of your largest investments. Whether you're buying, selling, or preparing to stay for the long term, we're here to help you make informed choices that support your goals—not just your budget.

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*Consult your tax advisor for information about your specific situation.