Buying Down Your Rate

A SMART MOVE FOR SAVVY HOMEBUYERS:

GET THE MOST OUT OF YOUR LOAN

Craven Properties, LLC

Buying Down Your Mortgage Rate: A Smart Strategy for Your Eastern NC Home

How experienced buyers can maximize purchasing power and reduce long-term costs.

You've worked hard for decades. Now, it's time to enjoy the next chapter of life in comfort, community, and style. The challenge for even well-prepared buyers - higher interest rates reduce affordability. One solution to reaching your retirement dreams in a community like Carolina Colours is buying down the mortgage interest rate.

As you plan the purchase of your retirement home in Eastern North Carolina, you're not just buying property, you're securing the lifestyle you've worked hard to enjoy.

For experienced buyers and retirees, making the right financial choices can significantly enhance both purchasing power and peace of mind.

One strategy worth serious consideration is buying down your mortgage interest rate. While many buyers have never used this technique, it can be a game-changer—especially if you want a larger or more desirable home without dramatically increasing your monthly payment.

But today's interest rates present a challenge. Even well-prepared buyers can feel the pinch of higher monthly mortgage payments, making it harder to get the home that truly fits your retirement vision.

That's where a mortgage rate buydown comes in.

This guide will explain how this can help you afford a higher-priced home while securing a lower monthly payment.

What is Buying Down the Interest Rate?

Buying down the interest rate involves paying an upfront fee, known as "discount points," in exchange for a lower mortgage rate over the life of the loan. Typically, one discount point equals 1% of the total loan amount. Each point normally reduces the rate by about 0.25%. So, on a $500,000 loan, one discount point would cost $5,000. This upfront investment can deliver significant long-term savings, especially if you plan to stay in your retirement home for many years. (Source: Pentagon Federal Credit Union)

Reasons to Consider a Rate Buydown

As an experienced or retired buyer, you likely have the capital available to take advantage of this strategy. By strategically using some of your available capital to “buy down” your interest rate, you can

- Unlock more buying power with a higher-priced home within your budget
- Lock in a lower monthly mortgage payment and lower your monthly costs
- Maximize your long-term savings over the life of the loan
- Secure the retirement home you’ve been working toward - all while enjoying greater financial peace of mind

A rate buydown is a way to reduce your mortgage interest rate by paying an upfront fee, known as discount points, at closing, to reduce your mortgage interest rate over the life of the loan. This can be particularly beneficial if you plan to live in your Eastern NC home for many years to come.

The Mechanics of a Rate Buydown

Understanding how to buy down your mortgage rate involves a few key steps:

Estimate the Initial Expense: *Each discount point typically costs 1% of the total loan.

For a $500,000 loan, one point amounts to $5,000.

For a $440,000 loan, one point amounts to $4,400.

Assess Potential Savings: Collaborate with your lender to determine the possible interest rate reduction based on the number of points you plan to pay. *Generally, one point results in a 0.25% rate reduction.

Compare Costs with Savings: Consider the duration you plan to own the home and calculate the total interest savings over that period. This evaluation will guide you in deciding whether buying down the rate is financially prudent.

***One Additional Note:** If you are using a VA loan to buy your home, most lenders will permit you to buy down the rate on a VA loan. It makes sense to ask about saving dollars before you sign the lending documents.

*Source: Pentagon Federal Credit Union

Unlock the Full Potential of Your Retirement Home

Buying a home isn't just about square footage, it's about creating the lifestyle you've earned – like the one Eastern NC offers. A rate buydown can help make that possible in several ways:

✅ Lower Monthly Payments

Reduce your monthly obligation and free up cash for HOA dues, travel, hobbies, or simply enjoying life.

✅ Afford More Home

A lower rate can stretch your budget, allowing you to consider a home with the floorplan, view, or upgrades you really want.

✅ Financial Peace of Mind

Lock in a predictable, lower rate that shields you from market fluctuations.

Unlike temporary buydowns (where the rate rises after a few years), permanent buydowns last for the life of the loan. That means lasting stability and long-term savings—ideal for retirement planning

✅ Put Capital to Work

If you have cash set aside, using a portion for a buydown can produce guaranteed savings—something few investments can promise.

It's not about spending more. It's about spending smarter to maximize both your comfort and your financial well-being in retirement.

How a Buydown Works

Let's look at a hypothetical example to illustrate the benefits of buying down your interest rate using private communities in Easter NC price ranges.

A Couple Purchasing a $550,000 home with 20% down: $110,000

Loan Amount for the home: $440,000

Principle & Standard Rate (6.5%): $2,781/month*

Principle & Buy Down 1% (to 5.5%): $2,496/month*

Monthly Savings: $285* Annual Savings: $3,420*

Over time, those savings really add up. 10-Year Savings: $34,200*

That's money you could redirect toward: Years of golf club dues; Travel with family and friends; or Upgrades to your new home. How would this situation look with money due at closing?

	Loan interest rate	Principle & Interest
No Buy Down	**6.5%**	**$2,781/month***
$8,800 at closing	**6.0%**	**$2,639/month***
$17,600 at closing	**5.5%**	**$2,496/month***

***Remember:** Each discount point typically costs 1% of the total loan. For a $440,000 loan, one point amounts to $4,400. Generally, one point results in a 0.25% rate reduction.

*Source: Pentagon Federal Credit Union

In the example above, $17,600 at closing would result in an estimated 1% rate reduction for the life of the loan.* In this case, the upfront cost in discount points is more than offset by the long-term savings ($34,200 in only 10 years*), making it a sound financial decision.

Collaborate with your lender to determine the possible interest rate reduction based on the number of points you plan to pay.

*Source: Pentagon Federal Credit Union

Pros, Cons & When It Makes Sense

A rate buydown is powerful—but like any strategy, it's not right for everyone.

Pros

- Lower monthly payments
- Greater buying power
- Long-term interest savings
- Permanent benefit for long-term homeowners

Cons

- Requires upfront cash investment at closing
- Break-even takes time (typically 5–7 years)
- Less beneficial if you plan to sell or refinance soon

Best Fit

- **A rate buydown makes sense if:**
  - You're purchasing your "forever home" in retirement.
  - You plan to stay in the home for at least 5–7 years.
  - You want to maximize comfort and cash flow in retirement.

Quick Self-Check:

- Will this be your long-term home?
- Do you have capital set aside for upfront costs?
- Would lower monthly payments improve your lifestyle?

If you answered yes, a buydown may be an excellent fit.

Buying down your mortgage rate isn't just a financial tactic—it's an investment in your retirement lifestyle. By lowering long-term costs, you can confidently pursue the home you truly want in Carolina Colours, whether it's on the golf course, with a wooded view, or near the community amenities you'll enjoy every day.

Let's Find Your Perfect Home

Buying a home in Eastern NC is a major milestone. You deserve not only the right property, but also the right financial strategy to enjoy it fully.

A rate buydown can be the key that unlocks:

- The home you really want in an exclusive community in Eastern North Carolina
- Lower monthly payments that fit your retirement lifestyle
- Long-term financial peace of mind

But this isn't a one-size-fits-all solution. Every buyer's situation is unique, and the best strategy depends on your goals, budget, and how long you plan to stay in the home.

That's where I come in.

As your Craven Properties Real Estate Specialist, I can help you:

- Evaluate whether a rate buydown makes sense for you.
- Connect with trusted lenders who offer competitive buy-down options.
- Find the retirement home that checks all your boxes.

Ready to explore your options? Let's discuss how buying down the rate can help you unlock the retirement home of your dreams.

📞 Let's schedule a call today to discuss how a rate buydown could help you secure the perfect home in Eastern North Carolina.

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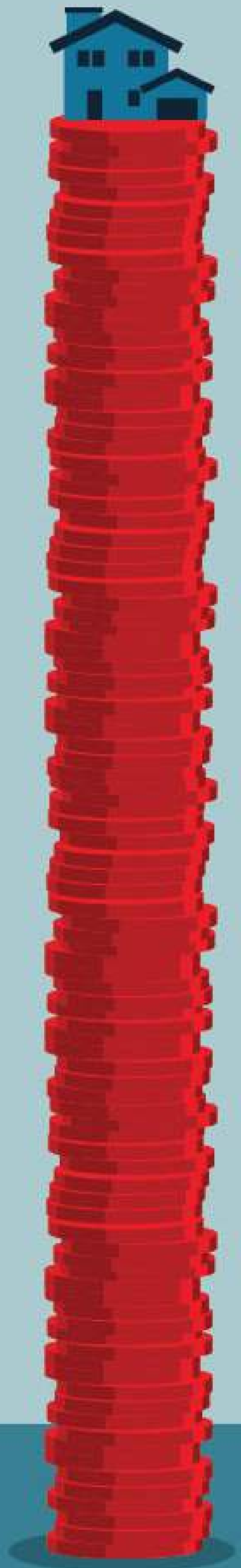
Craven Properties, LLC is proud to partner with Realty One Group East of New Bern, NC

Buying Down - A Wise Investment in the Future



Helping buyers discover a game-changing strategy for maximizing their purchasing power and securing their dream retirement home in Eastern North Carolina.

Learn how buying down your mortgage interest rate can lower monthly payments, enhance long-term savings, and unlock the lifestyle you've worked hard to achieve.

With expert insights and practical steps, this guide empowers experienced buyers to make smarter financial choices for a fulfilling retirement.

*Source of Financial Information in this Booklet: Pentagon Federal Credit Union